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ABSTRACT

This record of testimony before the House Subcommittee on Housing and Community Development focuses on the affordability of housing for low- and moderate-income people. A decent home and suitable living environment is a right guaranteed by the 1968 Fair Housing Act, but many Americans are in housing crisis. The subcommittee investigated ways for the Federal Government to fulfill the housing commitment. Much of the testimony was from residents and tenant representatives of two apartment complexes in Alexandria, Virginia. At both of these residences tenants were faced with displacement and possible homelessness as their units were renovated and the rents increased. There was not enough low and moderately priced housing in the area to house the displaced tenants. A lawsuit was lodged on behalf of the tenants. One witness was a representative of the developer who pointed out that housing hardships such as these are a result of the lack of commitment by the Federal Government to provide low income housing. He outlined a resettlement plan which the developers would initiate. (VM)

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RENTAL HOUSING AFFORDABILITY FOR LOW- AND MODERATE-INCOME PEOPLE

HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND COMMUNITY DEVELOPMENT

OF THE

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
HOUSE OF REPRESENTATIVES

ONE-HUNDREDTH CONGRESS

FIRST SESSION

FEBRUARY 24, 1987

Printed for the use of the Committee on Banking, Finance and Urban Affairs

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RENTAL HOUSING AFFORDABILITY FOR LOW- AND MODERATE-INCOME PEOPLE

TUESDAY, FEBRUARY 24, 1987

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING
AND COMMUNITY DEVELOPMENT,
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS,
Washington, DC.

The subcommittee met at the Grace Episcopal Church, 3601 Russell Road, at 10:50 a.m., Hon. Walter E. Fauntroy, presiding.

Present: Delegate Fauntroy and Representative Kaptur.

Mr. FAUNTROY. (presiding): The field hearing of the Subcommittee on Housing of the Banking, Finance and Urban Affairs Committee of the House will come to order.

This field hearing on Rental Housing Affordability for Low and Moderate Income People is the first of a series of hearings the committee will conduct during the course of the 100th Congress.

In 1949, Congress adopted as the national housing goal, quote:

"A decent home and a suitable living environment for every American family."

That goal was reaffirmed in the 1968 Fair Housing Act. Yet, nearly four decades later, we are compelled to leave Capitol Hill and to journey here to nearby Alexandria because, for millions of Americans, this dream of decent, suitable, affordable housing has been deferred.

Specifically, we are here because the tenants at Arlington's Lee Gardens and Alexandria's Dominion Garden apartments face imminent displacement, and with no place to go.

They place imminent displacement because a developer proposes to renovate and convert their apartments to higher-priced units beyond their income reach. They have no place to go because of the vanishing rental housing stock available to our Nation's low and moderate income citizens against the backdrop of spiraling housing costs.

In 1987, the housing crisis seems to have deepened rather than improved. Housing for first-time homebuyers is becoming increasingly nonexistent. Rental housing is difficult to find and the pace of increases on rental housing outdistances the pace of increases on purchased housing.

Changes in the 1986 Tax Reform Act threaten further to exacerbate the problems. For each of the past several years, more and more families have begun to occupy substandard housing, live in

overcrowded conditions, or are forced to join the growing ranks of the homeless.

It is now the rule rather than the exception that families pay more than 50 percent of their income for housing. While housing problems have mounted over the past several years, federally-assisted housing programs have declined dramatically since President Reagan assumed office and the administration's proposed budget for FY-1988 argues for even deeper cuts into the already winded national housing programs.

In the wake of the large number of urban areas like Alexandria and Arlington with deteriorating low-cost housing, lenthening waiting lists for assisted housing and increasing numbers of homeless families, the administration's housing proposals are at best irresponsible.

Local and state governments can no longer absorb the reductions in spending for housing that we have experienced during the Reagan years.

It is time for the Federal Government to meet its commitment made 40 years ago and recognize that fundamental to the quality of life of every American is a decent, safe, suitable and affordable place to live.

I am optimistic that the track record on housing legislation will improve during the 100th Congress. I fully expect that the Congress, led by this subcommittee, will reauthorize the programs that are directed toward providing affordable rental housing and awakening the American dream of home ownership.

I believe that this Congress will pass into law H.R. 4, the Housing and Community Development Act of 1987.

Today, however, we will hear from persons directly involved in and affected by the housing crisis of the eighties. We have to get a clear picture of the impact that the loss of privately-owned, affordable, multi-family rental housing is having on this community and thereby gain an understanding of how similar situations are impacting communities throughout this country.

I will welcome our witnesses here today on behalf of Chairman Gonzalez and the Members of the subcommittee.

I would like to thank the Grassroots Tenant Volunteers of Alexandria for their assistance in arranging for today's hearing.

I especially want to thank the Members of Grace Episcopal Church for permitting us to use this auditorium.

Before we call our first witnesses, I want to point out that, in the District of Columbia, we have a law which requires that before an owner can sell either a multi-family or a single-family rental unit, the tenants must be given the first opportunity to buy.

That law has worked well in the District. The owner who wants to sell is able to sell at a price the market will bear. The tenants who wish not to be displaced have a chance, at least for a period of time, to raise money to meet the sales price.

And the developer, or the third party contract purchaser who wishes to buy can buy if the tenants are unable to do so. It strikes me that a similar law at the Federal level might be of some assistance on this level, as we've seen in Lee Gardens and Dominion Gardens.

I'd like our witnesses, during the course of their testimony, to reference a comment on that. But, let me close by saying that decent, safe and affordable housing should not be a privilege in America. It should be a right.

[Applause.]

Mr. FAUNTROY. We hope that what our eyes have seen and what our ears will now hear from you will assist us in giving the Congress and the Nation leadership in addressing these serious problems.

I want, on behalf of our colleague, Stan Parris, who is unable to be with us, to enter into the record at this time his statement.

[The prepared statement of Mr. Parris can be found in the appendix.]

Mr. FAUNTROY. I want to note as well that Congressman Wolf was here both to testify, but like several Members, has had to leave, and we will keep the record open for his statement as well.

I am pleased to yield at this time to our distinguished member of the committee, Congresswoman Marcy Kaptur of Toledo, who has been one of our strongest advocates for low and moderate income people in the country.

Representative KAPTUR. Thank you very much, Mr. Chairman. I won't make a long statement, in view of the time. But I did want to say thank you for welcoming us into your community.

I represent the northwestern corner of Ohio and spend some of my time in Washington, and consider it a privilege to be here today.

The three areas which we have driven through prior to coming here today, involve the futures of over 5,000 families. It is symptomatic of what is happening across our country. We call it the rental housing crisis.

I visited Chicago a couple of weeks ago. A similar problem exists there. Many of our multi-family buildings are disappearing—either being torn down to make way for new development of a commercial nature, or the families who had been living in those buildings are being removed in order that higher-income families can be placed in those buildings.

And so I think what we learn from you today will be very important to us as we draft H.R. 4 and other legislation that we hope will follow in the years to come.

And I look forward to hearing the witnesses.

Thank you so much.

[Applause.]

Mr. FAUNTROY. Now, may we call our first panel to the witness table, the Reverend Gary McMichael of Trinity Presbyterian Church; Ms. Julieta Nelson, a resident of the Lee Gardens apartment complex; Mr. Philip Gelbman, a resident of the Lee Gardens Apartment complex; and Mr. Charles Rinker, Housing Consultant of Rinker and Associates here in Arlington.

Ladies and gentlemen, we have your various statements. You may proceed in whatever manner you choose either to read your statements as prepared, or summarize them.

We will listen to each panlist and then attend to questions that may help us to understand better what you say.

STATEMENT OF REVEREND GARY MCMICHAEL, TRINITY PRESBYTERIAN CHURCH

Reverend MCMICHAEL. Thank you. I'm Gary McMichael, the Associate Pastor of Trinity Presbyterian Church and the co-chair of the Lee Gardens Interest Group.

The Interest Group is a coalition of community and religuous organizations, tenants and low-income housing advocates and specialists who are seeking to preserve the low-income housing at Lee Gardens.

On behalf of the Interest Group, I welcome both of you to Northern Virginia and thank you for your leadership in this area of our concern for affordable housing.

We welcome the opportunity to come before you to describe what we think is the severe crisis of affordable housing for low and moderate income persons in the Washington Metropolitan Area, and in Arlington in particular.

What we face in Arlington is a situation of economic and social injustice. Minimal human rights and dignity are denied a particular portion of our population: low-income tenants, who face the loss of their homes because of a developer's purchase and renovation of their apartment complex.

Arlington, from most economic and social perspectives, is a successful, thriving community with a booming real estate market. The community is extremely wealthy, with a median family income of over $44,000.

In recent years, Arlington's tax base has increased dramatically each year. More and more businesses are opening their doors in our community. Arlington is a booming community in an ideal location, but it also has an older rental housing stock that is ripe for purchase and rehabilitation.

This housing stock is often home for low-income minority families and elderly persons on fixed incomes. Lee Gardens is a classic example of that type of housing stock.

Arlington is ripe for developers like Artery to come, pay substantial money for the rental housing and rehabilitation which is necessary and then, in the process, out go the powerless tenants who cannot afford the higher rents.

There's nothing illegal about what Artery is doing. The injustice is that our economic and legal system declares it OK for a developer to come into a community, purchase property, renovate the property, displace masses of people, and not be held responsible or accountable for the human tragedy that takes place in the community.

The injustice is also that tenants have no rights except the right to be displaced in no less than 120 days, displaced into a market where there's literally no place to go. They are displaced into a market where 12,000 apartments have been converted to condominiums in the last 15 years.

An additional 1,700 units have been lost in recent years to rehabilitation. They are displaced into a market that, in 1985, had a median rent of roughly $500 for one-bedroom units, $600 for two-bedroom units and $800 for the three bedroom units.

They are displaced into a market where the waiting list for section 8 certificates is 1,200 persons, with a wait of 2 to 3 years. They are displaced into a market where the apartment vacancy rate is practically zero, 1.4 percent.

That is precisely the crisis that we face. At Lee Gardens, the community has responded to this crisis with great concern and moral outcry, and we are putting together alternative plans of development.

The local government, working jointly with the tenants and the interest group, is actively seeking what is within its powers to maintain low-income housing at Lee Gardens. All of these groups with Artery have approached the Federal and state governments for financial support.

And maybe with all of this effort, 20-35 percent of Lee Gardens will be maintained for low-income tenants. In the current political and economic climate, some think that is a victory.

I do not want to minimize saving at least 20 percent as low-income housing, but this is not a victory. This is not a victory because we have not yet dealt with the basic injustice that's happening.

Human lives are now in upheavel and turmoil in Lee Gardens, and we are quickly facing a situation which can be called economic apartheid:

"You can work in our community. We vitally need your services. But, you cannot live here. There is no available housing for you."

Affordable low-income housing is an endangered species in Arlington. When something is endangered, strong, quick action is needed if it is to be saved from extinction.

That is our situation. So I raise with you this morning that when our economic system works only for a certain group of people and no longer protects the right to basic housing for the poor, government at all levels, but particularly the Federal Government, must act to safeguard the rights of the most vulnerable and forgotten.

We need your help. We need the help of the Federal Government to reestablish justice and to set the minimum standards so that tenants have rights and are protected in our society.

Thank you.

[The prepared statement of Reverend McMichael can be found in the appendix.]

Representative KAPTUR. Reverend, I'd like to thank you for your testimony. I just want to say for the record that I am pleased to see a minister presenting testimony.

I think you're taking your congregation and your congregation is taking you in the right direction. And I was pleased that, this morning on the bus, I asked the tenant organizer from the first development that we visited, which organization had been most active in helping her to organize.

Her reply was: the Catholic Church.

I love churches, and I think we haven't even cracked the surface in this country in what they can do to help on the housing front. So you're on the right track and I'm glad to see you here.

And let's move on.

[Applause.]

STATEMENT OF MS. JULIETA NELSON, RESIDENT OF THE LEE GARDENS APARTMENT COMPLEX

Ms. NELSON. Good morning, distinguished guests. My name is Julieta Nelson. I'm one of the tenants affected by the displacement of Lee Gardens. I am one of those that have received eviction notices that will be effective within 120 days.

I am very concerned. I'm representing the low-income residents of that area, which is composed of most of us—hotel workers, babysitters, people that take care of cleaning services, you know. And our incomes are very, very low. We have a hard time paying the existing rents that we are charged at that complex.

It's almost impossible to find affordable housing for the great majority. We like the area because of the schools that it offers. We like the community that we live in, the mixture of different people.

We also want to ask that you take a special interest in making possible affordable houses for us low-income families. We need it.

We are appealing to you. Whoever has the authority to do so, you take a specific interest in our level. We need some help.

Personally, our incomes are very low. My income is $85 a week. My husband is just making the minimum wages, and we can hardly afford to pay the rents where we are. We have investigated other areas since we have got those notices.

It's impossible to be able to find affordable housing. So, on behalf of all of us who represent that group, we're asking that you do something for us and provide for us affordable housing.

I want to thank you for listening to our problems.

[The prepared statement of Ms. Nelson can be found in the appendix.]

Representative KAPTUR. I hope that the President of the United States will watch this on television and, hopefully, read it in the newspaper. I hope he gets the local papers because we could sure use the cooperation of the White House in our efforts in Congress to make housing a priority again in this country.

It has been on the back burner for almost 7 years now and, unfortunately, the crunch that is being felt here and is being felt across the country will get worse, because we have been shrinking the dollars going into housing.

We, in Congress, have tried to change that situation and the Tax Bill that passed last year—without my support—is going to cause an increase in rents across this country that many people have not even anticipated.

So the pressure will get so much worse. That's why it's essential for us to take action, if we can get cooperation from the executive branch.

And I wanted to say one thing, Mrs. Nelson, and also to the Reverend and the other people who are here this morning. Your efforts to organize as a community and to put together a nonprofit organization to act on your behalf, are vital. You know that.

And I guess what troubled me, as we drove through those projects this morning, was the tremendous amount of deferred maintenance I saw.

Whoever that company is, right? They should be ashamed of themselves.

[Applause.]

Representative KAPTUR. Not knowing the details of every situation, I think one of the things that would concern me is it's too bad that when the properties changed hands, you didn't have the opportunity to have a nonprofit organization that was strong enough to put a financial package together so you could own those buildings yourselves; because it seems to me that we have absentee management and you couldn't even get a water line repaired for 3 months.

Something's really wrong! And the only multi-family developments that I've seen work well for many years are where the tenants themselves are involved and own a piece of the rock.

[Applause.]

Representative KAPTUR. I wish I could make that happen for you right away, but keep your organization going. I commend you for all the efforts you have made to organize thus far. It's extremely important and I don't know who you're getting advice from or who you go to for information, but you ought to try to find a way to own something.

Although you say that you and your husband don't make much money—your husband earns the minimum wage and you bring home $85 a week, if you multiply the amount of money that every family who lives in these developments make, and put all that money in the same credit union or the same financial institution, with your churches, you have more power than you think you have. Pool your resources.

[Applause.]

Representative KAPTUR. Learn how to control your own wealth. [Laughter.]

That's part of the agenda that you carry forward into the future, so you're not always at someone else's beck and call.

[Applause.]

Representative KAPTUR. Mr. Gelbman, you are a resident of Lee Gardens Apartment complex.

Mr. GELBMAN. Yes. I'm the tenant representative primarily for the senior citizen group and the moderate income group in the development.

STATEMENT OF MR. PHILIP GELBMAN, RESIDENT OF THE LEE GARDENS APARTMENT COMPLEX

Mr. GELBMAN. I've been a long-time resident of Lee Gardens, the first time around back at the end of the war days when I moved there. At that time, it was a very difficult place for an individual in the Army to get into Lee Gardens. They had restrictions on them.

It was a fairly moderate-income priced apartment at that time. And my wife was able to get her application accepted there. We got an apartment. I was a lowly inductee at that time, in the Service.

However, financially, we had two salaries at that time. The people who owned this, and I'll say this in their defense, were very proud of their development. They resided in the apartments themselves, took an active interest in all forms of the management, had an excellent maintenance program, excellent services. The places

always looked spotless and it was a place where everyone was proud to live.

Representative KAPTUR. What year was that, Mr. Gelbman?

Mr. GELBMAN. That was back in the late forties and early fifties. In the late sixties, things began to go down due to the inflationary costs, and so forth.

Management tried at that time to develop a plan for conversion of the apartments to condominium or cooperative type. But various things prevented them from doing that. And, finally, they decided they would have to sell out.

The purchaser of the complex at that time apparently purchased it and purchased it apparently a a tax writeoff, as a way of making a fast profit.

They did very little maintenance. They deferred maintenance whenever it was possible. We had to threaten all sorts of actions in order to get the most minor repairs made.

Representative KAPTUR. Sir, could I ask you a question?

The people who owned it at that point, were they from Virginia, do you know?

Mr. GELBMAN. The first owners?

Representative KAPTUR. The company back in the sixties?

Mr. GELBMAN. They were a local realty group in Arlington County, and have been for years and years. They finally negotiated a sale. We had a lot of wild rumors going around that for once things were going to happen. They were going to try to move out to other areas for better accommodations.

The sale finally went through. The company who bought it indicated that they were interested in developing the place. They built the first section of it earlier and made considerable improvements there.

What they said didn't actually work out. Why I don't know. They weren't financially able to do what they hoped to do. I give them the benefit of the doubt.

However, when they began to get into stress, they let rumors come out which were unsubstantiated, but rumors emanating from their offices that they were looking around for buyers, for funding, so they could change the way of life at Lee Gardens.

Suddenly, without any advance warning, the notice came around from the management company now managing Lee Gardens. They had been chosen by the new owners to manage Lee Gardens. And then rumors began to fly fast and loose that they were going to do all sorts of modernizations, rehabilitation, and so forth, and the tenants would be subject to vacating the apartments to permit this.

Many people really began to panic at that time, particularly the elderly, fixed income people on retirement pay and so forth. They began to get distressed, and they started looking for something else.

I was among them to a certain degree, more from curiosity than from being pushed into it, I think. But I found, as did everyone else, that wherever you looked, rents were way up beyond what we could afford. Practical accommodations for the elderly especially and for the lower and moderate income people; the low income people, had to find housing which was subsidized, which was section 8.

And there was nothing available in the county or in adjacent jurisdictions. Some people moved as far away as several cities away. I have friends right now who are contemplating moving to Pittsburgh, where they can get accommodations twice as good as what they can find around here, for as little as $200 a month.

But there's a lot of expense involved in that, and it's a destruction of their lifestyles. And it's just as heart-breaking to see the problem.

We have other neighbors in the community. An old lady who lives across the hall from me is in Arlington Hospital now and has been for over 3 weeks. The doctors expect her to be in there for another 2 weeks. Her problems was caused by heating breakdown. It got resolved in a court action.

Her property was cold for 3 weeks with no heat, like mine was. And no hot water to speak of. Repairs were made but, on top of that, she has a heart condition and began to be upset by rumors and the ideas about moving, and so forth.

As I say, she's still in the hospital. She's been suffering very seriously and the doctors say it will be another 2 weeks before she can get out. The conditions I blame more on the management that succeeded than the original one because they didn't have the tenants' welfare at heart. They're more interested in the money they can make.

Now they're being forced into a situation where they've got to spend money to keep out of trouble. And they've come up with a plan now for us, when our times comes to be relocated, they're trying to assist us, they say, to find places to live.

I don't know how they're going to succeed when we haven't been able to find anything ourselves, and when the county hasn't been able to help and they're very doubtful of anything.

They are doing financial planning for assisting us in relocation, which, while it seems generous, is not going to be enough to really take the burden off of anyone whose of average income there.

So I've come around to some of those suggestions to find a place for us to occupy at Lee Gardens so we can remain there and move into one of those apartments when it's available.

However, the proposed rental scale for that would put us in the same position as if we'd moved 50 miles away to another apartment.

I, for one, can't afford that sort of situation. An apartment right now is $440 a month for a one-bedroom apartment, and they propose $625 a month plus adding on the cost of the utilities, which we don't have now.

I made some inquiries and I found out that I probably would be ineligible. People that I've talked to also recommended, and I urge all the senior citizens in particular, the disabled and others who are nominally eligible for it to apply as soon as possible, so that maybe we can retain our lifestyles in Lee Gardens.

I see I'm running out of time, so I'd better just say that we are anxious for any assistance we can get from the representatives we have in all government areas.

Arlington County has given us every encouragement to help us in this problem. But the main thing is the money situation.

Mr. Rinker, I'm sure, is going to address that much better than I can.

One thought I wanted to express, I was very interested in watching Congressman Gonzalez' testimony in the House of Representatives on this Housing Bill for the Homeless.

We all have the fear of being pushed into the same, being homeless or street people as a result of this situation. Rather than see that happen to my neighbors, I hope we can get assistance in some way.

And my suggestion is, or thought is that perhaps Mr. Gonzalez could find a way of getting some of that money that was apportioned to the Homeless Bill, which the President signed to assist people who need it, who can't make a go with the rent relief that Arlington County can provide.

We're going to need some money to give us another hand. I would urge all of you to look at any means of legislation to prevent these things from occurring again.

I think this is a crack in the wall and it's going to get worse if we don't have legislation to control owners, builders, buyers from trying to make a fast buck off the backs of people who can least afford it.

[Applause.]

[The prepared statement of Mr. Gelbman can be found in the appendix.]

Representative KAPTUR. Thank you very much. I can tell that you were the historian of Northern Virginia. You know exactly what has happened over a long period of time.

You remind me of a neighbor I used to have from back home who started writing for the local newspaper because he remembered more than anybody else in the whole community.

I just wanted to say, in driving through your area, what struck me is how very wealthy it is. I come from a part of the country where we are struggling for the survival of industries, like our own U.S.-owned automotive industry, the machine tool industry, and the steel industry.

The average income in my community is not $45,000 a year per family. It's more like 25. And $500 a month rental is unheard of. You can get luxury housing for $200-300 a month.

So when I see what your rents are here, I find them staggering compared to what I'm used to.

I talked to some of the people on the bus and was suprised by the wealth of the area, that is obvious in these adjacent highrise structures and the commercial development that I am told runs anywhere between $150-180 a square foot.

In these times of diminishing Federal resources, one of the things other States have been able to do is to pass what we call late development ordinances or enabling authority at the State level where, if you build an expensive building which is a for profit enterprise, the local jurisdiction is given the authority by the State to require that a certain portion of the profits and the benefits of that development prior to its approval—approval is contingent upon some of the profit from that development going toward the housing for the people that will work in it. I don't mean to be critical of the State

of Virginia but, I was surprised to find that you do not have this kind of local authority.

This is not something that's brad-new. It exists in other parts of the United States. And, quite frankly, I was surprised to find that the State of Virginia does not have such enabling authority.

So I would encourage, I'm sure, some of you—I don't know much about your State House here or your current Governor, but I would certainly encourage you to continue on what I was told is a very hopeless path, but one that's important for communities like this one, because, as I say, the wealth to me is staggering as I drive through here and see some of these buildings.

I have nothing like it in my own community and you aren't getting what other people are as a result of that: housing for the people who work in those structures.

There's legislation already on the books across the country that you should copy. And I would just encourage you along those lines.

Mr. Ringer, who is a Housing Consultant with Rinker and Associates here in Arlington, VA, welcome.

STATEMENT OF CHARLES RINKER, HOUSING CONSULTANT, RINKER AND ASSOCIATES; ARLINGTON, VA

Mr. RINKER. Thank you, Congresswoman Kaptur. We welcome you to Northern Virginia, and I'll summarize my comments about the housing needs in the County of Arlington and in Northern Virginia.

I'm Charles Rinker. I come before you this morning with nearly 20 years of experience in development and preservation of lower to moderate income housing.

For the past 7 years, our company has assisted low and moderate income tenants in over a thousand units in the Washington area to rehabilitate their units and keep them affordable to existing tenants.

In every case where such tenant-sponsored scenarios have worked to preserve low and moderate income housing, the key has been:

One, that the outside private developer has been restricted from displacing current tenants. Two, that the tenants themselves have had a standing in the purchase process for the property, as well as purchase assistance programs to help them.

Lee Gardens and Dominion Gardens, which you'll hear about later, has been another example of the fact that our present U.S. economy does not work to meet the needs of a large and increasingly larger portion of our society; Nationwide, we are losing low and moderate income rental housing units at the rate of 500,000 per year.

The remaining moderate cost housing nationwide and in our area is something akin to gold and silver these days, an irreplaceable resource in very short supply. And if we don't preserve what we have, it is going to be gone forever.

The Artery organization and other developers who purchase low and moderate income housing properties and their lenders see their projects as an opportunity to make money, and they see

themselves as providing a community service by rehabing the properties.

Yet, the problem of providing housing for the low and moderate income residents is not viewed by them as their responsibility, even though the properties presently have low and moderate income residents, and did so when they purchased them.

Yet, there is no implied right in private ownership to accumulate one's wealth at the expense of another's misery or detriment. And this principle has been recognized in various labor laws that we've passed, various anti-pollution laws, the Civil Rights legislation of the sixties, where we as a society have restricted the freedom of the private sector with regard to the consequences of their money-making activities.

Now it is time for certain minimum levels of social responsibility concerning tenants' rights and displacement to be codified into Federal law.

It is time this country adopted an economic Bill of Rights for its citizenry with respect to housing and shelter, where developers who purchase moderate cost housing properties in communities where vacancy rates are below 3 percent are required to take responsibility for the residents of the property and not simply displace them from their homes with no place to go.

I implore you as a congressional subcommittee with responsibility in this area to take this issue on and to come up with legislation that addresses this need.

Like the labor laws of the thirties, and the Civil Rights legislation of the sixties, these issues of displacement and tenants' rights must be addressed at the Federal level. It is an issue of national importance and it is simply too important with respect to human rights to be left solely up to the States and localities.

While I would like to see this subcommittee develop a comprehensive legislation that might become something like the "Tenants Rights Act of 1987", let me make a more modest suggestion as to a place to start with respect to the displacement issue .Why not require the purchasers and developers of low to moderate income properties to file a displacement impact statement that addresses how the developer plans to keep displacement at acceptable levels?

One method would be to require the lenders, who are federally insured, or otherwise regulated to require developers who apply for financing to make such a displacement finding.

The law could be viewed as a part of the Lender's Community Reinvestment Act responsibilities.

Moreover, if such displacement impact was found to displace more than a reasonable percentage of the residents, say, 20 percent in a year's time, without adequate replacement of housing being available, then the finding would result in the lenders not making the loan until an adequate nondisplacement redevelopment scenario was worked out with the local community and the current affected residents.

In addition to this regulatory approach, there is an incentive which the Federal Government could provide that would probably do more than anything else I can think of to put tenants into the picture when their property is being sold.

That would be to provide a meaningful and significant Federal tax incentive to landlords who sell their properties to their tenants.

One way to provide such an incentive would be to reinstate the capital gains tax treatment for such qualified sales to tenants.

Another would be to establish a tax credit for such qualified sales to tenants. Whatever the mechanism, such action would revolutionize the system of residential multi-family property sales and bring the tenants directly into a position of standing in the buy/sell relationship at the time of the property transfer.

It would institutionalize urban land reform and urban homesteading within the private sector, and do it by incentive. So that every landlord owner who was about to sell his property would be encouraged to think in terms of a sale to the tenant or to a tenant-sponsored co-development entity.

The final piece of the responsibility, of the public sector which applies to Federal, State and local levels of government and must be shared by all levels is that of providing financial assistance programs that are effective and not too costly to assist low and moderate income tenants in their efforts to preserve and develop their properties.

The localities and the States can no longer look solely to the Federal Government to do this job, as they have done so often in the past. But neither can the Federal Government expect the local and State governments to shoulder the entire responsibility.

In conclusion, let me say that without such regulation with respect to displacement, and without such empowerment with respect to tenants being given a voice and a role in the purchase and conversion of their properties, the human misery and displacement injustice that we see at Lee Gardens and at Dominion Gardens will continue and will intensify.

I implore you to be a drum major for justice for low and moderate income tenants. We at the local level pledge to you that we will do our best to take the tools that you've given us and create structures of economic justice in the area of housing that will assist the people who need it most.

Only the Federal Government has the power to ring this bell of freedom and to sing the song of justice all over this land.

Thank you.

[Applause.]

[The prepared statement of Mr. Rinker can be found in the appendix.]

Representative KAPTUR. Thank you, Mr. Rinker, for your excellent testimony. I'm wondering if you might just expand a little—on page 7, you have a rather creative proposal that you didn't mention.

I wonder if you might discuss that a bit more, where you talk about home ownership for low and moderate income families and the Federal Government providing, rather than grants to achieve that objective, second mortgages.

I wonder if you could go over that in a little more detail. Where did you get this idea? You've obviously been involved in this for many years.

Mr. RINKER. Right. I was very appreciative of your comments earlier, incidentally, of home ownership. I believe very much in home ownership for low and moderate income people.

The District of Columbia has a very good program called the Home Purchase Assistance Program, which makes the second mortgage or loan to tenant groups or purchasers who need assistance to help them purchase.

And it is a loan in the sense that it comes back over a period of time. It's not a grant. And I think, in the long run, it's a good way to spend public dollars.

The benefits of home ownership which I do speak to, you know, there on page 7 and 8 of the testimony, the one benefit that is so crucial and is seen every place in terms of home ownership is the control that the person begins to take, the responsibility that the person begins to take.

I'll just tell you one story of a co-op that I developed in DC, a 27-unit building. I think it's about 4 years old. I got a call this fall. I always get a call about once a year from the group.

They sent me their new budget and they asked me to look at it and comment on it. I got a call from the president. The president was saying: We have to raise our monthly carrying charges 3 percent this year.

I said: What's the problem? Even under rent control, it would have been 4.4 percent, you know, if you were a renter, and so forth.

And he said, Well, Mr. Rinker, this is the first time we've had to raise them since you set our first budget 4 years ago.

That's the kind of thing in terms of keeping cost control over the long haul down that I think home ownership does.

There are other advantages, as you well know, to home ownership. But I think we need to do more in the area of home ownership and provide assistance.

Why do we have a rental assistance program and not a home ownership program? Why don't we provide rental assistance, section 8, to home owners and, at the same time, do it in the form of a loan so that when they sell their unit, it comes back and can be used again?

If we think in those creative terms, I think we can do the kinds of things we want to do without it bankrupting the Treasury.

Representative KAPTUR. Tell me from your experience in the Washington and Virginia areas here, have you found cooperatives that you have dealt with to be successful over time?

Mr. RINKER. Yes, very much so.

Representative KAPTUR. I'll just tell you, there are some membes of our Housing Subcommittee in the House who do not feel that way. They feel that cooperatives are a disaster based on their experiences in their parts of the country.

And I was surprised to learn that as a member of the Housing Subcommittee when I was promoting co-ops. I thought, Gosh, I've got quite a lot of opposition here.

So I don't know why their particular experiences are negative. I was just curious.

Mr. RINKER. I think one of the movements in the co-op movement generally is, oftentimes, in order to provide assistance, public

assistance, public dollars and public officials have suggested and required that the co-ops be limited yield.

I think that, in a sense, is one step from a rental situation, where people can't really feel home ownership in a real full way. And I understand why oftentimes public officials want to require that in terms of keeping moderate cost housing long-term.

I think we can do the same thing and let people have the option to do whatever kind of co-op they want to do. I think we can do the same thing by putting the assistance in the form of a loan that's paid back at the end of that period so that any appreciation is shared between the public, who makes the loan, and the resident. And I think that gives people a full sense of home ownership. And I think that's when they work on their gardens a little bit more. They watch their costs a little bit more, specifically, and so forth.

I don't know exactly the experience that you're referring to.

Representative KAPTUR. I've seen good examples in the Washington area because I've been in some of those buildings. But I was very surprised at some of the problems; the co-op movement in general has got to do a better sales job because it's message isn't getting through.

Mr. RINKER. Maybe we ought to take some of the Members of the committee on a tour of some of the co-ops that we've done in the District, because I'm thinking every one of them is successful. We can show cost savings over a period. We can show real benefits in terms of the community.

Representative KAPTUR. Could I ask you one final question?

Of the three areas that we visited today, if you could have done it differently, what would it have been? If you had to give advice to groups in the future, how would you have gone about changing the situation that these three developments now face? Are we too late?

Mr. RINKER. In terms of Lee Gardens that I'm now working with specifically, and I've done some work earlier with Dominion Gardens, I think we're not too late in either of those cases.

We're still trying to put packages together that make sense. They require heavy subsidy dollars, however. It's going to take Federal, State and local dollars to do it, and some creative financing, and so forth.

What I think would make sense to other developments that haven't experienced this, and what I would have said earlier, in your scenario is that:

If the tenants could have purchased the property instead of the developer, or if they had had some standing in the process—Mr. Fauntroy spoke of the first right to purchase law in the District—that's a tremendous kind of thing. It hasn't hurt the real estate market in the District of Columbia. It's helped get the tenants to have a standing in the process of property transfer.

And when they have a standing, they're in a position to negotiate a co-development that they can live with, or a purchase out right that they can live with.

And if the tenants could have purchased, Lee Gardens has been sold twice in the last 4 years, if the tenants could have purchased it 4 years ago, they could have gotten it at a lot better price and made it a lot more affordable to everybody with a lot less public dollars involved than what we're having to deal with now.

Representative KAPTUR. Does anyone on the panel have a final comment they would like to make?

[No response.]

Representative KAPTUR. I just want to thank you on behalf of our chairman, Mr. Gonzalez, who is from the State of Texas.

Our chairman today has come back, Congressman Fauntroy from the District.

I just want to thank all of you for waiting and for really excellent testimony. And I think the audience should give them a hand.

[Applause.]

Mr. FAUNTROY. Thank you so very much. I'd like to thank the panel for excusing me. I had to go over to Capitol Hill for an organizing meeting of the District of Columbia Committee, to make the quorum and to make the votes that are so necessary to launch any kind of case for District of Columbia affairs in the Congress.

Our next panel of witnesses includes Mr. Raul Yzaguirre, president of the National Council of La Raza, a long-time supporter of progressive forces here and around the world; Mr. Tony Salazar, founder and vice president of McCormack-Baron Associates in Kansas City, MO; Mrs. Rena Brown, founder and leader of the Arlandria Campaign to Save Our Homes, and an 8-year resident of Dominion Gardens; Ms. Mercedes Marquez of the Institute for Public Representation of the Georgetown Law Center.

Ladies and gentlemen, we are pleased to have you come before the subcommittee. We have, as in the case of the previous panel, your written testimony. You are free now to testify in whatever manner you choose, summarizing or reading the entirety of your statements.

STATEMENT OF RAUL YZAGUIRRE, PRESIDENT, NATIONAL COUNCIL OF LA RAZA

Mr. YZAGUIRRE. Thank you, Congressman Fauntroy, Congresswoman Kaptur. It's a pleasure to be with you today.

Mr. Chairman, with your permission, I'd like to enter my complete statement in the record and I'd just like to take a few minutes to summarize what I have to say.

Mr. FAUNTROY. Without objection, so ordered.

Mr. YZAGUIRRE. Let me tell you a little bit about who the National Council of La Raza is. We're an umbrella organization of about 100 community organizations around the country. We serve close to a million Hispanics in this Nation. We have had extensive experience in housing. We have an affiliated network that has built thousands and thousands of units in our Nation.

We have been involved in direct response in hundreds of housing units using innovative approaches to deal with the very critical housing problem in our community.

Most of these approaches involve government subsidy, government funds, either in the form of insurance or in the form of direct subsidy in one way or another.

However, in many places, we've been able to do some creative financing using simply private resources. But, in no case have we been able to do anything serious and have an impact without the

active local cooperation of the city government or the county government.

I think that's a terribly important ingredient in all of these efforts. We have a serious problem in the Hispanic community in terms of housing. Nearly ⅓ of all Hispanics live in physically inadequate or overcrowded housing. Hispanics are more than three times as likely as Anglos to live in substandard housing.

The economic and demographic factors have combined to produce an enormous shortage of affordable housing.

In 1970, there were two affordable units for every low-income family. In 1980, there were two such families for every affordable housing unit.

Hispanics and other minorities face additional problems with respect to housing simply because they can't afford it. They are often displaced. Nationwide, something like half a million people are displaced because affordable rental units are no longer on the market.

The other major problem we have is discrimination. All minorities suffer aggregious housing discrimination, but it's particularly odious in the Hispanic community.

Most people don't realize that a dark-skinned Hispanic is more likely to be discriminated against than any other group in this country, at least according to the studies of the Department of Housing and Urban Development.

Studies in Dallas, San Jose, in many other cities throughout the Southwest have documented this fact.

I'm not going to talk about Arlandria's situation in great detail because I think our colleagues have a great deal more detail on this particular subject. What I want to do is simply relate to you that what is happening in Arlandria, the very serious problem that we have with these thousands of families, is a microcosm of what's happening throughout the Nation.

But, in order to deal with it, we need the Federal Government to exhibit some leadership and to provide some resources.

As you know, the first step is to reverse the trend that we've seen in the past 6 years, where the housing funds have been systematically reduced. Our President came into office indicating that he would eliminate the Department of Education.

If you really look at what has really happened, he's almost eliminated the Department of Housing and Urban Development. Something like 35 percent of their funds have been at least presently eliminated over the past 6 years.

So we have a serious problem nationwide; at a time when our population is growing, where the demand for affordable housing is increasing, resources at the Federal level and the State level have been systematically decreasing.

This is also part of the urban problem that we have in this Nation. Not only are housing funds being seriously cut back, but a host of other programs that provide for the physical infrastructure of our urban cities have been systematically decimated the last 6 years.

And now we're facing a budget situation where it's likely that we won't receive the kinds of resources we need to do the job. And that kind of environment, we're going to have to be much more creative. We're going to have to use the tax laws. We're going to

have to use the kinds of examples that we've heard this morning in terms of rights of first refusal, in terms of finding some way of making deep subsidies, but finding a way to recapture some of that equity through the sharing of profits and the resale of units.

The Carter administration had an idea along these lines, and I think it's time to revisit some of these terribly important and innovative ideas.

Let me begin to conclude my remarks by saying:

What is mostly needed is a Federal commitment to preserve existing stock of housing for poor people and low and moderate income people.

That is not happening. It's not a question of ideas. It's simply a question of political will. We need to look at ways of targeting our existing resources. As you all know, the community block, CDBG, the Community Development Block Grant Program, is based at least in part—the allocation that you get is based partly on the number of poor people and substandard housing that exists in the community.

It makes all the sense in the world that we have better targeting of CDBG money for low and moderate income housing programs. Much of this money can be spent in a variety of other ways that have little to do with housing the poor and low and moderate income in our communities.

We need to deal with land use policies. We need to make sure that there is an infrastructure, that there is a way of systematically and logically looking at how we're going to use our available land. And without necessarily getting into all kinds of bureaucratic problems that we've seen in some of the cities, we've got to preserve the principle that we all live in this country together and that, unless we have a sensible way of developing our resources, our physical resources, we're going to have a great many problems.

And those problems usually are on the backs of poor people. We need to involve the nonprofit sector. We need to, as Congresswoman Kaptur indicated earlier in her remarks to the previous panel, one of the best ways to make sure that affordable housing is made available to poor people is the specific involvement of the nonprofit sector.

I'm not only the national president of the Council of La Raza, but I'm also the chairman of the National Neighborhood Coalition, a coalition of some 50 organizations around the country ranging from the Urban League to NEA and a variety of other kinds of groups.

And we have as our major focus trying to establish the principle that poverty is a serious national problem, number one.

Two, that housing and physical development is suffering in this Nation. We are increasing the amount of homelessness and we're increasing the amount of poor people in this Nation.

And, third, that everything we've learned in the last 20-30 years suggests to us that the best way to deal with that is a combination of Federal resources and locally-controlled nonprofit organizations that can galvanize a community, that can put resources that can motivate people in a constructive way.

I think that's what you're seeing here in Arlandria. We support the tenants organization; we want to work with them. And we are pleased to have made our resources available.

To this effort, we look to your leadership in bringing about a solution to this terribly important, terribly serious problem.

[Applause.]

[The prepared statement of Mr. Yzaguirre can be found in the appendix.]

Mr. FAUNTROY. I want to thank Mr. Yzaguirre for his excellent summary, and for the substance of your testimony. It certainly was instructive.

Mr. Salazar.

STATEMENT OF TONY SALAZAR, PARTNER AND VICE-PRESIDENT OF MCCORMACK-BARON AND ASSOCIATES, KANSAS CITY, MO

Mr. SALAZAR. Thank you very much. It's a pleasure to be here. I am vice-president of McCormack-Baron and Associates. We are best known as National Housing Developers, specializing in historic properties and in urban rehabilitation.

Our accomplishments include areas in market rate, subsidized new housing, new construction, substantial rehabilitation and mixed use.

We were formed in 1973. Since that time, we have completed 25 major developments and have worked in 11 different cities, including St. Louis and Kansas City, MO; Louisville, KY; New York City, Jersey City, NJ; Quincy and Springfield, IL; Cleveland and Akron, OH; and currently, we're working in New Haven, CT.

Our portfolio includes over 3,000 units of low and moderate income housing, and over 300,000 square feet of commercial space, all in inner-city neighborhoods. Many of our projects are in the most depressed areas of cities, areas long perceived as unsafe, depressed and beyond salvation.

Only through successful partnerships with government, the private sector and neighborhood organizations or the tenant associations in that particular area have we been able to succeed with good quality projects

Nearly every development effort our company has undertaken has required a different blend of finance resources. We've become well-versed in building multi-faceted financing programs which combine available Federal programs with local resources, including UDAG's, tax-exempt financing, conventional financing, foundation loans and grants and venture capital from the private sector.

We've received nine UDAG's and several HODAG's for our projects. We have completed projects for low and moderate income families where other developers were unable to create housing opportunities because of financial constraints.

Under typical circumstances, projects for low and moderate income families involving inner-city property, either vacant or existent, do not command sufficient revenues to retire debt or for acquisition and rehabilitation.

Therefore, several layers of financing need to be brought in to such a development; recognizing that financial gaps exist, we can

be innovative in creating additional financing for projects rather than reducing the quality of materials or the scope of development.

We also have vast experience in rehabilitation of older infrastructures. We are keenly aware of the type of rehabilitation that has to occur in deteriorated inner-city properties.

I brought some slides with me that I would now like to show just to give you a flavor of what is happening in some of these ll cities, the type of rehabilitation that needs to occur and, more particularly, I'll outline some of the financial details of how we've rehabilitated properties for low and moderate income families.

[Slide.]

Mr. SALAZAR. This was a vacant hotel in St. Louis, MO, in Central City, that was vacant. We rehabilitated 38 units for low-income families.

[Slide.]

There's another angle on it.

[Slide.]

This was a vacant warehouse, which was a hat factory. They made Mexican sombrerro's there, if you can believe that. Prior to that, it was a shoe factory.

Representative KAPTUR. Mr. Salazar, I was going to ask you, if you know the financing on these packages, could you describe it just briefly.

Mr. SALAZAR. I'll do this. This is section 8 right here. And the use of community development block grant funds for the proposed improvements.

[Slide.]

And some exterior improvements as well as the building off to the left, which was used for neighborhood programs.

[Slide.]

This is the lobby area.

[Slide.]

This is called Lindal Plaza, also in St. Louis.

[Slide.]

This was a vacant, boarded up building, as you can see. Here, we used section 8, community development block grant funds and a loan from a corporation.

And those are the three sources of financing.

[Slide.]

It was vacant. As you can see, we put in some catwalks, built false back wall. This is section 8. And, still, it's in very good condition.

[Slide.]

Hamilton Apartments, which had three layers of financing: community development block grant funds, bonds and a foundation loan.

[Slide.]

This was a project of the Ford Foundation and the YWCA in Jersey City, NJ.

[Slide.]

There's a 10-story building behind it that they also owned. With State bond financing, a loan from the Ford Foundation, we were able to purchase the building from the YWCA. They used the funds to turn around.

[Slide.]

And rent the first few floors back from us after we rehabilitated the property.

[Slide.]

Then the housing behind it——

[Slide.]

Was housing for the elderly, some section 8.

[Slide.]

This was a vacant YWCA. This picture was taken from the steps of the new YWCA built by Monsanto in St. Louis.

[Slide.]

Which had private sector, community development block grant funds, and some corporate contributions involved in the rehabilitation of this project.

[Slide.]

This was a vacant warehouse building, glassware house——

[Slide.]

Which we've used in converting it to offices. There's the lobby there. That's the type of glass they made.

[Slide.]

That also involves community development block grant funds.

[Slide.]

This is a vacant elementary school which was acquired and rehabilitated in partnership with the city and the neighborhood organization.

[Slide.]

This is an interior vantage point. That is housing for low and moderate income families.

[Slide.]

This is in Springfield, IL. We took the downtown——

[Slide.]

Took a square block, half the square block there, tore down the deteriorated properties, added some new housing. You see the old Capital up on the top there.

[Slide.]

And rehabilitated the commercial buildings around it, which include Abe Lincoln's offices.

[Slide.]

And you see a good mixed use there.

[Slide.]

The rents were kept low that particular project for low and moderate income families. This was also a vacant building, a vacant school, which was a high school, which we acquired. This is in St. Louis.

[Slide.]

Also in partnership with the city, the neighborhood organizations using Federal and city funds to take these old buildings——

[Slide.]

Rehabilitate them——

[Slide.]

And create housing.

[Slide.]

Again, part of this was to show that we know how to rehabilitate and bring a level of expertise. That's the top of the auditorium of elementary school. You see the arch up there.

We have the ability to increase the efficiency of all types of buildings.

[Slide.]

This is on 103d and Lexington in New York City in partnership with the city and a neighborhood organization which is partners with us, 50/50. In a number of our projects, we are in partnership with a neighborhood organization of some kind. Fifty/fifty is not unusual for us.

Representative KAPTUR. What is the name of that neighborhood organization?

Mr. SALAZAR. This is Revive 103.

[Slide.]

That's the completed project.

[Slide.]

Unfortunately, we had to scrape the brick off.

[Slide.]

This is in Louisville, in an older part of the city.

[Slide.]

A project called Phoenix Place, where we have rehabilitated old buildings——

[Slide.]

And some new infill. That is new behind there.

[Slide.]

The other was old. That was in partnership with the city, community development block grant funds, UDAG funds and a variety of other sources—bond money, equity funds.

This is another elementary school that we converted to housing. This involves Foundation funds where, in this project, we are in partnership with the neighborhood housing services. We are 50/50 partners, so they utilized some of their funds from the reinvestment corporation along with some city dollars.

[Slide.]

This is a HODAG, I believe.

[Slide.]

Akron, OH. This is the vacant YWCA downtown, which we went in partnership with them——

[Slide.]

And completed the project along with city assistance, along with Foundations and the State House and financing agencies.

[Slide.]

I'm sorry. That's a poor picture of the lobby.

[Slide.]

Interior shops.

[Slide.]

This is in Kansas City, MO. It is housing downtown, in a very deteriorated part of the CBD.

[Slide.]

These are some of the buildings that were left there.

[Slides.]

This is 363 units of housing, 52,500 square feet of commercial. This is some new infill with old rehabilitation. There's $11 million

in first mortgage bonds, a $4 million second from the Foundations, and corporations in the city. We received a UDAG for $6.5 million. We raised equity of $11 million. There were 17 different local corporate entities that put up $4 million for this project.

[Slide.]

And the last slide is the Falstaff Brewery. Of course, that was a before; I do not have an after yet. It's under construction and we'll finish it and open it up next month.

Along with 100 units of new housing, which is also a UDAG and community development block grant funds and bond funding.

That concludes the slides. I brought to submit some preliminary construction estimates on Dominion Gardens and also a pro forma fee, which is based upon 392 units of housing.

This was furnished in our capacity as a development consultant to both the Institute for Public Representation and the tenant associations.

The total project, as we see it, as we project it now, is $29.8 million. We estimate about $30,000 per unit in hard costs for renovation.

Also submitted for your review is a copy of that pro forma. Since our market is low and moderate income families, and specifically, existing tenants whose incomes only allow them to pay rent in the range of $395 to $568 a month, the total revenue generated is not sufficient to cover the cost of development.

At this rent schedule, there's a gap of $4.8 million. We've completed numerous projects with gaps substantially in excess of $4.8 million. The project in Kansas City had a $29 million gap. Every one of those projects up there were such that they could not work on their own.

The buildings were in poor condition. They needed total renovation. The market was such that they were located in inner-city areas. The people who would occupy them were low and moderate income families. There's no way to make it work on its own.

Therefore, what we have to do, what we do as a company, is go out and create a blend of financing together and make it work. This gap of $4.8 million is not insurmountable. It's not an insurmountable problem.

We believe the project is do-able and the gap can be filled through a variety of sources, such as the city of Alexandria's community development block grant funds, foundations with program-related investments, fund balances from the Virginia Housing and Development Authority, housing vouchers through UDAG, HODAG, or whatever.

There's financing out there available. In conversation with many of these entities that I outlined, you know, they're amenable to reviewing a proposal from us if it can be agreed upon by all the parties that there should be low and moderate income housing at Dominion Gardens.

We're willing to lend our expertise, our support, to the city of Alexandria to make sure affordable housing remains available for existing tenants at Dominion Gardens.

All that remains is a commitment and a willingness and an eagerness on the city's part, and on everyone else's part that the

housing there should remain available for low and moderate income families.

Thank you.

[Applause.]

Mr. FAUNTROY. Thank you, Mr. Salazar, for sharing with us hands on, the rubber hitting the road experience in dealing with the kind of problems.

Now, Mrs. Brown will share with us, from Dominion Gardens.

STATEMENT OF RENA BROWN, FOUNDER AND LEADER OF THE ARLANDRIA CAMPAIGN TO SAVE OUR HOMES, AND RESIDENT OF DOMINION GARDENS

Mrs. BROWN. To the U.S. House of Representatives, our own Mayor Moran and invited guests, my name is Rena Brown. I live at the present time at 3850 Florence Drive in the Dominion Garden complex. I've lived in this area since 1953. And, at the present, for 8 years.

My children and grandchildren were all born and raised in this area. I have one daughter and two grandchildren living with me. One grandson attends Charles Barrett Elementary School. It's within one block of where we live. It's very convenient for him because, along with the many other children and schoolmates, he can walk to school.

I have another grand-daughter that goes to G.W. Intermediate School. She rides the county school bus. I helped to start this. And if I may add, I have another grandson living with me because his mother's deceased.

He was stricken with cerebral palsy at birth, which takes a lot of medical expenses and a lot of care for him.

I helped to start this community campaign to save our homes so that we could preserve Dominion Gardens and save seven other complexes known as the Layton Estate, affordable for housing for the current tenants living in Arlandria West.

We all want to stay in our homes. These are our homes and we are fighting to keep them. Just 13 years ago, Alexandria was known for providing affordable homes for all. Then, ¾ of its apartments were judged to be affordable.

Today, only 10 percent or less of its once stable black community is left and now they are being forced out. Many of us, including my family, have been displaced before. We were in the flood in 1973, when we lost everything we had then. My family will be broken up if we are displaced again because of no apartments nearby that will allow children.

The City Council and Mayor Moran should be doing more to help us. I put my confidence in Mayor Moran by voting him into office. I am now asking the City Council to do whatever is necessary to save our homes.

The City Council keeps saying that Alexandria has no low income housing. This has been in all the newspapers. They keep telling us they don't know what they can do about it.

They have the power to do it by using eminent domain. The City Council is seriously considering raising money to build a tunnel on West Street, which could cost close to $100 million, and they're also

considering using its power of eminent domain to flatten buildings on old Dominion Boulevard.

We have brought to the city a great plan which could save our homes. It is a plan which uses eminent domain if Artery refuses to sell to the developer. But when we asked them to use these powers to save our hundreds of homes, they tell us they can't do it.

I seriously believe that Alexandria has the money, has the power to do it. You remember Martin Luther King said once that the United States was giving us bad checks. Now I think Alexandria is giving us bad checks. We know that the money is here; it's right here in the Charter and in the report. This is what they have done themselves, so we know they have the power.

It makes me angry and upset to know that the city has the power to save our homes and keep our children in the schools and in their churches and in their community.

And, last, I close by saying, about 2 weeks ago, we were having in my little apartment around 30 people and my next door neighbor broke down in tears because of the situation she's living in and what will happen to her family.

So I'm asking the city, pleading with the city, right here, I guess in October, we had another one of my little granddaughters pleading in her testimony for the city to save our homes so we could keep our families and our schools and our friends together.

So we are pleading to you to please use eminent domain to save our homes.

Thank you.

[Applause.]

[The prepared statement of Ms. Brown can be found in the appendix.]

Mr. FAUNTROY. Thank you, Ms. Brown, for a very moving and obviously representative testimony here today. We'll close the panel now with Ms. Marquez.

STATEMENT OF MERCEDES MARQUEZ, ESQUIRE, INSTITUTE FOR PUBLIC REPRESENTATION, GEORGETOWN UNIVERSITY LAW CENTER

Ms. MARQUEZ. My job today is pretty much to serve as a technical assistant. And, in order to answer any questions you have about the use of eminent domain and the work that the tenants have been doing.

The Institute for Public Representation works with them for about a year and a half now to do whatever is necessary to keep these low income families in their homes.

Mr. FAUNTROY. Thank you so very much.

Let me begin the questioning by referencing that very point. We've heard a number of tools that are available to deal with the situation here.

I wonder if you would care to expand upon the use of eminent doman in this situation and how, together with the other tools that have been referenced, we might resolve the problem.

Ms. MARQUEZ. The use of eminent domain is obviously a last effort. Communities usually only exercise that when they're unable to find any other way to reach public use ends.

What we find in this situation is that we have the Artery organization, a private developer, who is wanting to rehabilitate those properties, as you saw this morning, and raise the levels of rent to such a degree that no family there would be able to afford it.

Now I've heard estimates, perhaps coming through the city or perhaps through the current developer, that speak to the fact that perhaps 25 percent of those families would be able to stay.

I can tell you with confidence that I've been working on a daily basis with these tenants and I don't know one of those people within that 25 percent who would be able to afford it.

What we have tried to do is approach the Artery organization and tell them:

Here in Alexandria there is a shortage of housing. The Layton Estate properties pretty much represents the only Latino community in Alexandria in the past 10 years, and Alexandria has gone through lots of redevelopment. And the black population has been significantly diluted.

We feel that this last bit of low income housing will, in the end, completely segregate this city. That is why we feel that if the Artery organization refuses to sell in a private market transfer to a combination of McCormick-Baron and an incorporated tenant association, they will become a general profits and limited dividend corporation.

McCormick-Baron would provide training so that the tenants would be managing the property. We feel that is the only way out. We are looking with political realities and economic realities that Federal funding isn't there to do all that is necessary.

Of course, the city has been depleted in its uses of CDBG money because of smaller grants. But we feel that now we have brought a plan to you. As McCormick-Baron has shown, they have a long track record. These tenants are very serious about struggling for their homes.

For that reason, we feel that a mix of private and public financing and public and private partnership can save these homes.

Therefore, if Artery refuses to sell, what we are asking the city to do is to exercise eminent domain. Now, the city charter and the city ordinances of the city of Alexandria are clear that the city has the authority to exercise such power when they are trying to attempt a public purpose.

That public purpose verbatim in their city charter includes the preservation of low and moderate income housing.

Once they acquire that property, it can be resold without any violation of law if it is sold to a limited dividend corporation. That is what we would be creating, a partnership between a tenant association and McCormick-Baron and perhaps another nonprofit organization. That is how the National Council of La Raza has been so helpful to us. They could create that corporation, who could acquire the property then from the city.

So that the financing balance is on us and we're ready to accept it. The tenants are ready to struggle in that way. And we have worked with a wonderful developer to make this a reality.

So that is what we are asking the city to do. We are not asking them to pay for it. We are not asking them to own it. We are

asking them to exercise their political power, their political will in that situation, if necessary, to save the homes of these individuals.

[Applause.]

Mr. FAUNTROY. I understand the process would be one by which the city would make a finding that an emergency exists in the jurisdiction with respect to low and moderate income housing, acquire the units by eminent domain from Artery and then dispose of it to a developer who would develop it consistent with the needs for low and moderate income housing.

Ms. MARQUEZ. Absolutely.

Mr. FAUNTROY. Mr. Salazar, I wonder if you would care to be a little more specific about what you think would work here, given your knowledge of what the situation is in terms of the various partnerships, the various partners in this venture.

Mr. SALAZAR. In terms of what I think would work here, assuming that the process of eminent domain goes through with the type of financing—I assume you're referring to the types of financing.

Mr. FAUNTROY. Both private and public and foundation.

Mr. SALAZAR. I think there are several opportunities. One that we would look toward is the State Housing Finance Agency, their ability to issue the bonds; and also for writing those down with any fund balances that they would have.

That's where we would go first.

Second, there are foundations, national foundations—the Ford Foundation and those of that size and caliber who make program related investments, which is a loan, not a grant. They issue a number of loans to projects like this that are geared toward low and moderate income families.

We'd also look to the city itself for a contribution in the form of community development block grant funds, or any of the city dollars that they have in any Mod section 8 housing vouchers that would come from the Federal Government.

So that we would go to the State, the city and the feds, as well as foundations, to narrow that gap down and get the project done and keep the rents at its current level, but rehabilitating the project so that people have a decent place to live.

We're not interested in going in, buying a project and just owning it as is. It doesn't do anything for the tenants that are there. It doesn't create good housing opportunities or a good living environment.

We're willing to go in, go raise the additional capital necessary, put in good heating systems, cooling systems, paint the project, do everything necessary to make it good quality living space, but keep the rent levels at the same level.

Mr. FAUNTROY. And you're satisfied that can be put together?

Mr. SALAZAR. We're satisfied. We've done it in 25 projects in 11 cities. We've done it with 3,000 units that we manage, every single one of them in the 11 cities. We're not afraid to grind it out and we're not afraid to go and work with corporations, foundations. And we're not afraid to have neighborhood and tenant associations as partners.

All those things we've been doing for 13 years now and we do what people write about and for us and for our experience, this

project is do-able. It's very do-able. All we have to do is convince everybody else that it's do-able.

[Applause.]

Mr. FAUNTROY. I want to thank each member of the panel for very constructive contributions to our hearing here today, and particularly I might thank Ms. Brown for pointing out the human considerations in all of this.

Thank you.

We'll move on to our next panel now. We are very pleased to welcome, following this constructive panel, the distinguished Mayor of the city of Alexandria, the Honorable James P. Moran, and the chairman of the Arlington County Board, Mr. Albert C. Eisenberg.

Thank you so much, gentlemen, for your presence here as well. As in the case of previous witnesses, we have your prepared testimony and you may proceed in whatever manner you choose, either to summarize your prepared statement or to read them in their entirety.

It's always a pleasure, Mr. Eisenberg, to have you with us. We heard your delegation on the tour.

Mr. Mayor, it's your call.

Mr. EISENBERG. I'll go ahead, if that's all right.

STATEMENT OF MR. ALBERT C. EISENBERG, CHAIRMAN, ARLINGTON COUNTY BOARD

Mr. EISENBERG. Mr. Chairman, Members of the Subcommittee, it's a great honor for me to appear here today in my capacity as chairman of the Arlington County Board, to appear with Mayor Moran of the city of Alexandria.

The Arlington County Board applauds the longstanding efforts of this subcommittee and its staff to improve housing conditions for the Nation's low income people, and we really do appreciate the time you all have taken to come here to our region today. And we hope to consider and we hope respond to the plight of Lee Gardens tenants and the thousands more low income people in our communities who can't find a place to live at prices they can afford.

I hope, Mr. Chairman, that in my testimony I can help the subcommittee comprehend the enormity of this region's affordable housing crisis and the very deep frustration local officials experience daily in struggling to relieve this situation and the deep difficulty that local residents have experienced daily in struggling to live through this situation.

And I hope I can make it clear that the struggle is lost without the strong bond of partnership between the Government and the private sector.

Arlington is an affluent, urbanizing community of about 155,000 people, many of whom who are newly-arrived Asian and Hispanic immigrants.

The county comprises only about 26 square miles, and we have very little developable land outside our Metro subway corridors. In a sense, Arlington County is a victim of its own success. Our enviable location and the small amount of developable land we have has driven up land and housing costs.

As a result, we suffer from a lack of affordable housing for people of modest incomes. While we enjoy full employment, people who work in service industries or at entry level jobs frequently have no alternative but to accept unsuitable, expensive housing or live some place else. The lack of affordable housing ultimately means an economy troubled by spot labor shortages and a community diminished by a decline in cultural diversity.

You've heard some of the statistics of our situation. Since 1972, we've lost over 12,000 apartments to condo conversions, about 30 percent of the rental stock that existed then. The condos that have returned to rental situations have done so at much higher rents.

Our rental agency rate at 1.4 percent is tantamount to a closed door on new rentals; if you're lucky enough to be able to find an apartment, you're going to pay for it, dearly. The rents of $500 for a one-bedroom apartment, or $800 for a three-bedroom apartment are typical.

Acording to our Housing Assistance Plan, we've got 10,000 low income households who pay excessive rents or who live in substandard housing. We've got 1,200 households on our Section 8 waiting list, and those waits can stretch three years.

Now, Arlington is doing its share as a locality, and we're going to do more, to come to grips with the housing crisis that we face in all its forms. We've committed sizable amounts of resources as the Federal share has declined.

Frankly, Mr. Chairman, the problem is beyond our capacity to solve alone and the loss of Federal funds combined with little assistance from the State has hurt our community severely.

Let me tell you a couple of things that we do in Arlington County. We operate our own Rental Housing Assistance Program. It's an Entitlement Program. We serve about 600 elderly and working families with low income and spend about $700,000 a year doing so.

We operate three homeless shelters. Most recently, we spent $330,000 to acquire and renovate a facility to assist families and others for up to 3 months—the time that they need to get their lives together. And we participate actively in section 8, CDBG, rental rehab programs. We have three elderly apartment projects, two built under the Section 8 New Construction Program and one developed through section 236 programs that I would remind you, Mr. Chairman, are no longer in existence.

We have about 300 section 8 mod rehab units, another thousand units of section 8 existing housing. We supplement CDBG funds with our own local funds.

We're afraid that the deferral last year would cost us CDBG money. Thank's to you and the other Members of the Congress, that deferral was averted. But we now have $300,000 of local funds contingent to use for housing purposes.

Our top legislative priority in the General Assembly of Virginia this year relates to housing. All told, about 3 percent of our current budget goes for housing purposes—$3 million from the county and about $5.7 million from the Federal Government.

The losses from the Federal Government are very severe. I'll just run through a few. Section 8 construction. The subrehab programs which are gone today. As I mentioned, apartment buildings which

we now have in our community that were subsidized by section 8 could not be built today because those programs are no longer in existence.

Our CDBG allocation has dropped by a third. We no longer receive in direct allocation any section 8 mod rehab units.

In short, the tools we depended upon from the Federal Government have been snatched from our hands, and we are ill-equipped to create them locally.

The story is the same across the State of Virginia. To the best of our knowledge, we've lost $100 million a year in a loss to the State of Virginia since 1980 in Federal housing assistance.

Mr. Chairman, you raised the question earlier about first right of refusal. In the late seventies and early eighties, I had the privilege of serving as a staff director for the U.S. Senate Subcommittee on Housing and Urban Affairs.

At that time, we developed a first right of refusal provision for tenants facing condo conversion. Not rehabilitations because, at that time, the Subrehab Program under section 8 was in existence. My recollection is that that provision passed the Senate in 1980 as part of an omnibus housing bill, and the provision died in conference.

We could use that kind of provision today for rehabs. The only caveat is to make a first right a real right for low cost financing. It's got to be there to go along with it.

Let me move very quickly to the Lee Gardens situation and what we are looking for and hoping for there. Lee Gardens could not have happened at a worst time.

While we have been able in the past to combine a variety of local, Federal and private resources to prevent the displacement in smaller scale rehabilitations in Arlington County, projects in the neighborhood of 100 to 200 units overall, the magnitude of the Lee Gardens rehabilitation, the sheer size of the project and the very low income character of the tenants virtually overwhelmed us.

The buildings do need substantial rehabilitation and the cost after that will be about $600-850 a month. The fact is that the rehabilitation that needs to occur will be so extensive that the households would have to move from the units, even if all the units were going to remain affordable.

Unfortunately, what happens is that thousands of people are going to be displaced into a market that is too tight to absorb them.

Now, in Arlington, we've joined forces with the Lee Gardens interest group—the tenants, the private charitable sector. We've become in effect part of that interest group. And our interest, as theirs, is to preserve as many units as we can and to ease the pain of relocation for those who have to move.

We formed a negotiating team to negotiate with the Artery Corporation a relocation package and a purchase arrangement for 200 units.

I want to stress that the problem isn't the renovation. The problem is the displacement that goes along with it. Leaving the project alone is not the answer. Leaving the project without renovation is a prescription for the eventual decline of the units into an uninhabilitable condition.

What we need to do is do what we can to prevent the displacement that will occur or, at the very least, to ease the pain of that displacement.

Now, we are looking for a partnership involving a nonprofit housing corporation as an entity to secure as many as 200 units to preserve low and moderate income housing. To do that, we need a commitment from the Federal Government, 200 section moderate rehabilitation units; to bring the rents with section 8 maximums, additional sums from private, local and State sources, totaling as much as $16 million are also being sought. We're going to look for that any place and every place, high and low.

The fact is that without the section 8 assistance, it is unlikely that the preservation can occur. We can't bring enough money to bear to bring the rents down low enough to serve the people that live there without the section 8 moderate rehabilitation units.

Mr. Chairman, any help that you and your subcommittee, in combination with our Northern Virginia Congressional Delegation, can render is deeply and greatly appreciated.

Let me add a final note here. The crisis at Lee Gardens is only the tip of a much larger iceburg that's looming ahead for us in Arlington County. A third of our rental stock, more than 10,000 garden apartments, was built before 1956 and needs substantial upgrading.

If 200 units are difficult for us to preserve, how can we possibly handle 10,000? We can't. It's like bailing out the sea with a spoon.

The real tragedy of Lee Gardens is that, in fact, it's so common place. Apartment buildings are bought and rehabilitated every day. What's happened is the failure of government. With all due respect, Mr. Chairman, primarily at the Federal level, to maintain a support system that, in the past, would have intervened to make apartment renovation an event that's welcomed, not feared.

Mr. Chairman, we have a modern-day trail of tears forming in Arlington as thousands of people are going to be forced from their homes.

The Arlington County government, a community-at-large and the displaced tenants look to you, the Congress, and to our State government to join with us in helping our people leave this trail and obtain decent housing that they need and that they can afford.

Thank you for indulging perhaps in an overly-long statement, but it's one that I felt needed to be made.

I'll be happy to respond to any questions you have. I have a couple of items to submit for the record along with my statement.

[Applause.]

[The prepared statement of Mr. Eisenberg can be found in the appendix.]

Mr. FAUNTROY. Thank you, Mr. Eisenberg. We will have questions following the distinguished Mayor's testimony.

Mr. Mayor, heavy is the head that wears the crown.

Mr. MORAN. Mr. Chairman, there is really little for me to say in the way of a public position that hasn't been said. The position of Alexandria is much like Arlington's, and Al has eloquently stated that.

I'm going to scrap my testimony, in any event, testimony. It can go into the record.

Mr. FAUNTROY. Without objection.

Mr. MORAN. It's really repetitive of much of what has been said previously. And we in fact agree with much of what has been said previously, certainly in terms of the social and economic injustice that's involved here.

But let me take the time to share with you in as personal a way as I can my own perspective on this situation.

I think it is typical of the personal perspectives of the people that find themselves suddenly in just the opposite than they wanted to be on that got them into government in the first place.

I saw Raul Yzaguirre in here today and I remembered that the last time I saw him was when he was fighting on behalf of the Chicanos in the barrios of the Rio Grande Valley and I was working for HEW. And in seeing the condition that those people were living in, many of them illegal aliens, but they were being abused and used by the economic system in Texas, it really forced a personal commitment to get more involved in government and ultimately to run for elective office.

That was a very important time in my life. That type of motivation, which is probably not even as strong as the motivation of our city manager—our manager came from OEO. She was the first to push for passage of the Equal Rights Amendment.

Our director of Housing had the same kind of background. Our city attorney was the chair of the OEO here and of the community development block grant board, our vice-mayor. The same kind of background.

I say that not to really defend ourselves but to try to get across to you the frustration that we at the local level feel.

In other words, we have fought to be in a position to right some wrongs, to try to change things for the better, to prevent massive displacement. And here we are in that position where you would think that we could accomplish our lifelong goals. And we find ourselves in a situation as occurred on Saturday, with hundreds of people blaming us for their having to be kicked out on the street, essentially, and trying to explain why that has to happen.

It's unfair, Mr. Congressman. We were attracted to the city of Alexandria because we knew that this was as progressive a community as you could find, where you could still have an impact.

Alexandria, 40 years ago, was the first of all the suburban jurisdictions to start public housing. We have increased our supply of public housing at every possible opportunity; we took down public housing funds. And then, in 1980, when public housing funds started to decline, we made a commitment and each council has reiterated that commitment:

We are not going to let one unit of public housing be reduced from the level that we have achieved. We've gone to some very innovative, creative ways to accomplish that, considering the fact that we've lost 70 percent of the Federal housing money that we had in 1980, before the Reagan administration took power.

One of the things that we did just last month, we sold a public housing project on Duke Street, and we went into white, middle class neighborhoods and identified eight sites, despite enormous political pressure. This City Council withstood that political pressure and we bought those sites.

And we said: We're going to build 10 public housing units on each one of these sites, totaling about 100. And those families are going to become part of your community. We hope that will be a model for other communities, because public housing projects can't continue.

Most of them were constructed 40 years ago. They deteriorated. This is what we'd like to do and we're using public funds to do it. And what little Federal money we can.

So why can't we do something about Arlandria?

I'm going to meet with the city manager at 3 o'clock, with the McCormick-Baron people, and we're going to talk about this eminent domain and their proposal.

We will continue talking as long as we possibly can. But we have to see things in perspective, I think. The families in Arlandria are largely here as a result of political disruption in their own countries, in Central and South America, a disruption that, in some cases, this government bears some responsibility for.

They're here because there were jobs and there was affordable housing in Northern Virginia. We wanted that to be the case. It was our deliberate public policy to provide affordable housing. And we don't regret the fact that we were a refuge, if you will, for families that had nowhere else to go.

But they are now—and they're almost all working, and they're working at whatever jobs they can find. They're making minimum wage in most cases. And, Mr. Congressman, minimum wage at $3.35 an hour, if you work for 40 hours a week, gives you—I think it's $134 a week in income.

To afford the existing rent, you have to pay $125 a week just to afford the existing rent. The wage scale that these people are getting for their efforts is not adequate.

The first thing that has to be done is to have an adequate minimum wage. It's not fair to expect people to subsidize other industries in this area and throughout the country at the wages that they're getting—the restaurant industry, the hotel industry, commercial offices that require janitorial and clerical service; retail shops for the stock clerks, and all; individuals using maids and housekeepers and so on.

They are not compensating these people adequately for the work they're doing. And these industries are going to be very seriously affected in a very damaging way when these people are displaced. They don't realize that yet. They don't realize that our provision of affordable housing is subsidizing their ability to find affordable wage earners.

And we cannot divorce this housing situation as a result from the employment situation. They are not adequately compensated. And so we urge you to increase, at least for adults, the minimum wage.

Having said that, we ought to have more assistance from the business community. That is really primarily benefitted by this supply of affordable labor. It will come after the fact when they realize what happened and they lose this labor.

Now, in terms of the economics, every time we get into economics, we sound like capitalist tools, I'm sure, and are just using excuses.

But, these apartment complexes were constructed after World War II. In that time, they were for moderate income families just like Lee Gardens. When they were built, the landowner was able to establish a 40-year depreciable life.

In other words, they can depreciate the buildings over 40 years. Forty years is the natural life of the building. Forty years later, in 1985-1986, these buildings have exhausted their life. Maintenance is prohibitive.

The current owners maintain these buildings long after from an economic standpoint they should have sold them. The existing owner was in many ways wedded to this complex. He didn't want these people to be displaced and he certainly didn't have the resources to improve the apartments much as they should have been improved.

From the city government's standpoint, we have looked the other way. We have deliberately disobeyed the law. We have ignored health codes. We've ignored the requirement that you only have one family per apartment, that you have a certain number of teenagers per bedroom, and so on.

We've ignored that. We've ignored across-the-board things that would have displaced these families because we knew they didn't have any place to go.

Now, the Artery organization comes in. We could have gotten a commercial developer. We probably, if you look at it from a purely economic standpoint, should have gotten a commercial developer for this entire project. It would have yielded a lot more revenue to the city, and commercial development gives you a much higher profit than residential development.

That's why we don't have the apartments around the country that we need, because it doesn't pay. The economics of the situation don't pay.

The Federal Tax Reform Act that took effect in January went exactly in the opposite direction from the way it should. It makes it much less profitable to build and maintain rental housing.

So Artery comes in. They have to pay about $30,000 a unit to bring these units up to code. It's going to require about another $20,000-25,000 a unit. So we're talking about approximately $55,000 a unit.

Why did they come in?

Obviously, to make a profit. Nobody is in this business not to make a profit. And the extent of profit that they make is going to determine the investment that they make in the livability of these apartments.

In order to get the tax depreciation that is going to give them a competitive return, they have to substantially rehabilitate all the units. The net after tax return of the owners of these large apartment complexes are getting now are about half of what they could get if they just sold, turned around and invested in an insured bond. They could get twice as much yield as they're getting now.

For Artery to make a competitive yield with other investments, they have to get a rent that is going to sustain an investment of $55,000-60,000 per unit.

I get back to the employment situation. The families that are living there now can't possibly afford to pay the kind of rent that

will cover that cost. Never mind the profit margin. These families can't afford to live where they're living now; they're not getting an adequate wage.

And as a result, they're living two and three families in many cases to meet the rent.

Just to pay the carrying cost for these units, a family is going to have to bring in an income of about $36,000 a year. And it sounds astronomical—and I'm sure it does to you, Mrs. Kaptur, coming from one of the Rust Belt areas that's been economically depressed.

But, take the monthly rent. You can figure it out yourself. The monthly rent has to be $700-800 a month. If you convert that to an income where no more than 30 percent of your income goes to housing, which is the Federal standard, the national standard, that income has to be about $36,000 a year.

These families can't possibly afford it. Now, who then should afford it?

Our city has made housing its highest priority. There's no question about that. Over 10 percent of all our rental housing is subsidized. That's more than any of these other jurisdictions, and it's probably more than we should have incurred from the point of view of most of our taxpayers.

We've done it because we believe in it, because we have a personal, philosophical commitment to making this a diverse community.

We don't possibly have the resources to put what in effect would be about $5 million every single year into subsidizing these families' housing.

The Federal Government does have those resources, and the Federal Government has the responsibility.

If the Federal Government would work with us, we can set aside approximately 30 percent of all the units in Arlandria at a price that will enable the existing tenants to continue living there. Seventy percent are going to be displaced. I don't see how we can change that. But even this 30 percent is going to require section 8 certificates.

And I say certificates. And I want to emphasize that. We don't want section 8 vouchers. Section 8 vouchers are a bus ticket to some place else. We want these people to live here. They're part of our community.

That section 8 voucher stuff is entirely contrary to good public policy, so we want certificates. But we need about 300 certificates. Lee Gardens is asking for about the same. We ask for your intercession. I wish our own Congressmen were here to listen to this, and we're going to be calling them and we're going to be pressuring them to do that.

That alone is not enough. In addition to that, we need VHDA funding. Here, again, this Tax Reform Act that has been lauded as so terrific, as part of that, we have lost our ability to issue bonds, tax-exempt bonds for housing.

Our cap was already met just to find adequate housing for public housing families who have been living here for generations. It's already spent. There's no more that we can issue.

VHDA can. They have about $45 million. We were going to meet with them today if we didn't have the hearing. We're going to meet with them next week, and continue meeting with them to continue

to get their willingness to underwrite the interest cost on a bond that would enable us to purchase more of these units.

Perhaps as much as $19 million is what we want. Are we going to get it? Probably not.

In addition to that, we need more leverage. We were talking about private placements. We have used the tax shelters that were available through the old Tax Act. Private investors didn't care what the money was being used for; they could write off three to four times—well, two and a half to three times what they invested in tax credits.

They were actually deductions. But, in the first few years, they got back almost twice as much as they invested from the taxes.

Well, sure, that seems like a ripoff, but that was the money that was going into low income housing. We were absolutely dependent upon that because that was the leverage that we had:

You can't use this tax shelter scheme unless you set aside at least 20 percent of these units for low and moderate income families. We lost that leverage. We don't have that leverage any more. There's no more tax shelters that we can use.

So where else do we turn?

One of the things that we've done is to say just what you talked about, Mrs. Kaptur, this economic development that's going on. We've been telling developers illegally that if you want to get this approved, we want some money to go into a housing trust fund. And we have arm-twisted and gotten $100,000 here, $150,000 there, and we're trying to build that up.

We're prepared to invest $500,000 in Arlandria. We're going to use that to fill the gap as best we can. But——

Mr. FAUNTROY. We learned about that momentarily. [Laughter.]

Mr. MORAN. Mitch probably arrives, so the angels are here with us.

Mr. FAUNTROY. I understand. For those who may still be questioning, Judge Harold Greene has entered a temporary injunction against the Artery Corporation, and against developers Cafritz and Freeman.

[Applause.]

Mr. FAUNTROY. Were we on Capitol Hill, and were I the chairman, I would gavel this audience to order and say that there are to be no demonstrations in the course of these hearings.

Inasmuch as I'm not on Capitol Hill and inasmuch as I'm not so disposed, I think we ought to give ourselves a hand.

[Applause.]

Mr. FAUNTROY. You may continue.

Mr. MORAN. Mr. Chairman, that is good news. I must say I'm amazed and encouraged that what, in effect, it does is give us more time to work something out. I must say that I didn't think they could do it, that they could pull it off. And they have. And the Georgetown University Law Center and the others that were involved in advancing that case have made history.

[Applause.]

Mr. MORAN. In effect, what they are doing is supporting a conclusion that the Federal Government came up with in 1949, as far back as 1949, that:

Every family living in this United States has a right to decent, safe and affordable housing. It's a right.

[Applause.]

Mr. MORAN. The Federal Government is on record with that. And I'm glad that the courts support that right. This is a national landmark case, and this is just the first page of what I'm sure will be a long legal struggle.

But, from our perspective, all it means is that we have more time to work something out. I'm not going to go any longer. I've gone way past any time that should have reasonably been allotted me.

I would urge you:

Please support our call for more section 8 here, and most importantly, all over the country. This is a program that has worked. It's absolutely necessary if we are going to sustain our economy.

This is not just from a bleeding heart liberal standpoint that we need section 8. We need it for the underpinning of all of our economy, of the economy in every metropolitan area. The people should not have to pay more than 30 percent of their income. And, in almost all cases, we are talking about people that are working all day long as hard as any American that we could identify in any income category.

So they deserve section 8 subsidies. They also need for the Federal Government to put that back in place, the kinds of tax incentives that have been working. They were not taken out because they didn't work; they may have been taken out because this administration felt that they were working too well.

And so we look to people such as yourselves to turn it around, to reestablish the programs and, most importantly, the commitment to a fair and just society.

We thank you for the opportunity to speak to you today.

[The prepared statement of Mr. Moran can be found in the appendix.]

Mr. FAUNTROY. Mr. Mayor, Mr. Eisenberg, thank you so very much for your contribution to this entire discussion here this morning and afternoon. You have enlightened us on a number of aspects on the affordable housing dilemma.

It was capricious that the announcement should come in the midst of your testimony that we have more time. My mentor, Martin Luther King, Jr., used to say that life swings on a pendulum. And for so long, we have been swinging toward the right. [Laughter.]

And I am so pleased to see these evidences of hope and commitment on the part of the whole range of those whom we've heard. And I'm sure we're going to hear some of the same from the Artery representatives.

But we, too, feel some encouragement in the Congress that, in this 100th Congress, we're going to be able to increase our section 8 certificates, our section 8 moderate rehab funding and, hopefully, make available increasing Federal resources on that.

I welcome the court's delay in evicting tenants and I hope the delay will afford us an opportunity to strengthen our case on Capitol Hill.

You mentioned that you wish your Congressman were here. They both have been here, both Mr. Parris and Mr. Wolf.

Which is your Congressman?

Mr. MORAN. Parris.

Mr. FAUNTROY. I hope that the time that we have will assist in our changing his mind about the damage done over the last 6 years by cuts in these programs, and persuade him to focus on the need for what we as a committee will be addressing in H.R. 4.

I would also hope that we will change his mind as effectively as we changed his mind on the fact that there does exist on the books of the District of Columbia and in the Constitution of the United States a provision that exempts Members of Congress from arrest during the course of carrying out their official business. And that that revelation together with the revelation that we've had here today during this trip will change some votes.

Mr. MORAN. That's really tactful of you. [Laughter.]

We also recognize that we can't divorce this from larger issues. One less B1 bomber, one less MX missile and all of Alexandria's and Arlington's problems could be solved.

[Applause.]

Mr. FAUNTROY. There'll be no demonstrations in this hearing room. What we're going to do is convey that message to Senator Warner.

Mr. EISENBERG. We'll be happy to take away the money from the MX, and they can have the money from the B1.

Mr. FAUNTROY. On the question of money, if I may return to the subject, Mr. Eisenberg, Arlington County has a tax assessment on Lee Gardens. I understand it's increased from $10.8 million to about $19.1 million for 1987.

At a time when the county is doing everything possible, as you say, to keep low and moderate income housing in this area, how do you account for this dramatic increase in tax assessments for units like these?

Mr. EISENBERG. Lee Gardens is very close to a metro stop, within walking distance in most circumstances. And we have seen an enormous rise in tax assessments, in land values in Arlington in general, particularly along the Metro corridors. This is not unexpected. It's certainly not something that's unusual. It's just the nature of Arlington's location.

The real estate business, as they say, it's location-location-location. Arlington County has it. As a result, the land cost for everybody goes up. The long-range problem that goes along with this great success is that people are being priced out of the housing, whether it's for those who rent or for those who are interested in buying.

We see it particularly in the demographics in Arlington County. Seventy-seven percent of our households have no more than two people. Obviously, that means that we have a very small number of families with children. My wife and I have two children and we are in the great minority in terms of family size in Arlington County.

When you've got 7 percent, if I'm not mistaken, of Arlington's households are the so-called traditional four-person family—husband, wife and two children—families have great difficulty finding affordable housing in Arlington County.

Lee Gardens is a small example of a larger problem in the rental market. As I understand it, only about 45 of the 960 units in that project are three bedroom units.

So you can see how difficult it is for a family with children to live there. We also have, and Alexandria has a similar problem, a problem both the Mayor and myself have been actively involved in trying to do something about with the meager authority we have on the local level.

We have a problem in convincing all of our landlords to make apartments available to families with children. We have discrimination against families with children. It's tragic. It's terrible and it needs to come to an end.

But our authority is limited and all we can do is jawbone. We'll do that as much as we possibly can.

I guess I strayed from your basic question, but it triggered a number of other thoughts and that ought to be worthwhile for the committee to hear.

Mr. FAUNTROY. Ms. Kaptur.

Representative KAPTUR. In order to be brief, Mr. Chairman, I would just like to thank both Mayor Moran and the Chairman of the Arlington County Board of Supervisors, Mr. Eisenberg.

I have an opportunity to meet a lot of elected officials in my work, and I have to say that I'm very impressed with the fact that you two gentlemen are really hands on and a lot of communities do not have that yet.

And I think the fact that you both are here today and that, in spite of whatever feelings might be in this community—and those are very high regarding the future of those two developments—I think that, with your kind of leadership, a resolution can be reached.

And, frankly, I think that the citizens here have chosen well.

[Applause.]

Mr. MORAN. Thank you very much.

Mr. FAUNTROY. May we now call our final witness, Mr. Daniel Mackesey, general counsel and vice-president of the Artery Corp., who accompanied us on the tour as well.

As Mr. Mackesey comes forward, I have testimony by Mr. Victor Pardi on behalf of the Lee Gardens tenants. It's translated from Spanish, and we'll enter that into the record at this point.

[The prepared statement of Mr. Victor Pardi can be found in the appendix.]

Mr. FAUNTROY. We are so happy to see you before the committee.

STATEMENT OF DANIEL MACKESEY, SENIOR COUNSEL AND VICE PRESIDENT OF THE ARTERY ORGANIZATION, BETHESDA, MD

Mr. MACKESEY. I must say it feels a little lonely up here right now. [Laughter.]

I will have one comment with respect to the lawsuit. Of course, I have not seen the order myself. The Artery Organization has always acknowledged that there is a hardship here. We view ourselves as part of the solution, not the problem.

I'd like to summarize my written testimony and then take questions or respond to any concerns.

Mr. FAUNTROY. Without objection, your written testimony will be entered in the record in its entirety at this point and you may proceed.

Mr. MACKESEY. The Federal Government's abdication of its responsibility to support low income housing has created a national crisis. We are working with local and State officials, community leaders and tenants to mitigate the effects of this crisis on Lee Gardens and Dominion Garden's tenants.

Mr. Rinker, whom you heard testify so eloquently, is a member of a group that we are meeting with on a regular basis to try to provide low income units at Lee Gardens. We would be delighted to sit down and meet with the representatives of McCormick-Baron to work out the same sort of coalition and the same sort of approach to provide low income housing at Dominion Gardens.

We want to provide low income housing in these projects. We need Federal assistance to provide it. We applaud the committee's effort to make Federal assistance available.

I want to briefly introduce you to Artery because this position is completely consistent with Artery's past. We've built affordable rental housing and starter homes in the Washington area for almost 30 years.

Almost of all of our apartment complexes contain low or moderate income units. We've been a leader in utilizing Federal programs to provide those low and moderate income units. We build and operate apartments for the long-term with one exception, we have never sold an apartment complex.

We believe that value is created through sound management and maintenance, and ours are among the best managed and maintained affordable apartments in the area.

So our approach in rehabilitating these apartments is to do a sound structural renovation, replace all existing mechanical systems, electrical systems and plumbing systems, which desperately need to be replaced, and make sure we have created an asset of value for us and for the community for the long-term.

In restoring Lee Gardens and Dominion Gardens, I think there is unanimous agreement among government and community leaders and tenants that the projects do need to be rehabilitated. That is the root issue which gives rise to all other issues.

In many respects, they can be described as an accident waiting to happen. We've had a number of difficulties simply maintaining heat at Lee Gardens. The renovation cannot be delayed any longer. If the properties are not renovated, as Mr. Eisenberg pointed out, they'll soon be uninhabitable.

At that point, government authorities will be forced to close the properties and all tenants would have to leave. And, thus far, I think you've heard testimony from Mr. Moran that Alexandria has been turning its head.

At some point in time, whenever that time is, Alexandria will no longer be able to do that any longer. The properties need to be renovated. We are simply doing what is necessary—restoring these properties for the long-term for the function intended when they were built 40 years ago, safe housing at reasonable rents.

We are not allowing the properties to deteriorate further. We are not converting them to condominiums. We are not redeveloping the

properties for commercial uses. And we're not raising the rents to exhorbitant levels. They may be unaffordable for the tenants who are there, but they are reasonable rents—more than reasonable rents given the level of rehabilitation.

We are making every effort to obtain subsidies for low income housing. Like our other restored properties, we believe that Lee Gardens and Dominion Gardens will be successful in the long-run because they will meet the great need for well-managed and maintained rental housing at reasonable rents in Arlington and Alexandria.

We are fulfilling one need for rental housing in Arlington and Alexandria. There is a need for that. There's a crisis at the low income level. And without the Federal Government, we cannot subsidize that crisis—without Federal Government's assistance.

That is the difference that we are experiencing between these rehabilitations and our other rehabilitations, where we have been able to provide low income housing. We are doing even more than we have done in the past to help existing tenants because of the lack of Federal participation.

We provide an extensive, individualized tenant assistance program, which was recently described in a Washington Post editorial as the most generous ever offered in Virginia.

We are accustomed to providing this type of tenant assistance program in the rehabilitation. It's not new for us. It works or it has worked in the past.

We have trained bilingual counselors on the property to see whether it is possible to stay on the property, or whether the tenant must leave.

For those who can stay, we offer reduced rents. And, in this way, we ease the relocation process and the timing. For those who leave, we pay relocation subsidies up to a thousand dollars per household. [Laughter.]

We are committed to working with the tenants until alternatives have been identified for them. The cost of these voluntary programs at both Lee and Dominion exceeds $1 million.

We are confident that our relocation efforts will be successful. For the first phase of Dominion Gardens, with the construction schedule to begin April 1, housing on or off the property has already been identified for all 70 affected households. While we are proud of our rent reduction and relocation program, we recognize that relocation is a hardship for the tenants.

Again, we want to provide low income housing so the tenants can stay on the properties. We're working in concert with local officials, tenants and community leaders, many of whom you've heard from today, to obtain a share of the few Federal subsidies available.

In fact, as I came in this morning, I had a meeting with the Lee Gardens interest group confirmed for Thursday afternoon. There are not nearly enough subsidies to meet the needs of low income people across the Nation.

This is a critical situation and we support the subcommittee's efforts to mitigate it.

[The prepared statement of Mr. Mackesey can be found in the appendix.]

Mr. FAUNTROY. Thank you so very much, Mr. Mackesey, for your testimony and for the spirit in which you've given it. And the spirit that has pervaded this entire hearing.

I wonder if you would care to comment on the suggested format for resolving the problems here through the eminent domain action and bringing in McCormack-Baron Company.

Mr. MACKESEY. Well, certainly, we are willing to sit down and talk and find out what the nature of that proposal is. I will point out one thing. I heard a number of $4.8 million funding that is the differential between making that proposal work and not work. The gap. That is an enormous amount of money.

It's too much money for one community, such as the city of Alexandria, to bear. It's probably too much money for the City of Alexandria and the State of Virginia to bear. It has to be a broader community effort and it requires Federal participation.

Without that, I don't think it will happen. If you can get Federal participation, perhaps you can work in the private sector somehow. And I think that's something McCormack-Baron has done.

We are open to all those possibilities.

Mr. FAUNTROY. You indicated at the outset of your testimony that you felt that they were prospects that you were prepared to explore with McCormack-Baron.

What did you have in mind in terms of exploring?

Mr. MACKESEY. Sitting down and evaluating the proposal and determining whether it's a do-able proposal from our perspective.

Mr. FAUNTROY. From your perspective, what are the options available to you?

Mr. MACKESEY. I think we certainly need to be in a position to identify—I mean, there are all sorts of options. One is the option that we're talking about with Arlington County. That is, to set aside a portion of the units or to work in concert with—community leaders, county officials and tenants to set aside—a portion of the units for low income housing and do the development ourselves.

Really, the sky is the limit. There are all sorts of creative possibilities that could be explored. It depends on the individual situation, and we're open to those.

Mr. FAUNTROY. This is my last question.

There was some reference on the tour to the fact that, unlike many communities, Arlington does have available land for new construction.

Would that enter into your view of how you might assist in resolving this?

Mr. MACKESEY. We would certainly be willing to address that. I can't emphasize enough our track record. We are really a public-spirited company. We have been in the situation where we felt we've been perceived as the villain. We feel that we're part of the solution and doing everything that we can. And we are open to finding ways to provide low income housing on this property.

We are not closing the doors. The doors are open.

Mr. FAUNTROY. All right. Ms. Kaptur.

Representative KAPTUR. Thank you, Mr. Chairman. I just wanted to say to Mr. Mackesey, Mr. Salazar and to the whole community, that we have the opportunity to meet lots of developers, both for profit and not for profit and that I was impressed. I have to say

that it's rare that we have this kind of very approachable developer come before our committee. However you found them, or whether they found you, I think you have got some material to work with here.I21So I hope that the spirit that I've heard here today will lead towards some kind of solution. And certainly there's the intelligence in the room to do it, and I wish you much success in that.

I want to say one other thing in response to something the Mayor said. When he talked about the economic life of properties and that after 40 years it seems as if it's all over.

I was saying to the staff director of our Housing Subcommittee that in Europe 500 years is normal, and usual. There's a difference between an economic life of a property and the useful life of a property.

I think, in our society, we become too used to throwing things away. And I think it's time for conserving America and for building for the future.

And I saw those structures—the masonry, the concrete, the brick—they are solid buildings. I've worked in neighborhoods myself before I ever came to Congress where we didn't have anything that solid.

So it seems to me when you finish the rehabilitation process and work out the futures for the families, whom we hope will continue living there, you will really have done something for the 2lst Century here in Northern Virginia, you should be proud of.

So, good luck to you. And I hope we can be helpful from our end in the Congress.

Thank you.

[Applause.]

Mr. FAUNTROY. As the gavel of this first series of hearings closes, we thank our series of panelists for their cooperation. You have renewed for us our commitment to return with the will to do in the l00th Congress what your testimony has indicated the Federal Government ought to do, and that is, meet its responsibilities in this area.

I wish you well in resolving this in the spirit we've experienced here today.

Thank you very much. With that, we will call the hearing to a close.

[Whereupon, at 1:30 p.m., the hearing adjourned.]

APPENDIX

Statement by

Representative Stan Parris

Housing Subcommittee

Alexandria, Virginia

February 24, 1987

Mr. Chairman, first allow me to thank you for holding this hearing today. The problem that is being highlighted today is an important one, and I appreciate your coming to Alexandria and Arlington to hear first hand of the difficulties of maintaining affordable housing for low income residents in this area.

This housing gap that we are experiencing in Northern Virginia, is I am sure not unique to this area. Rather, this is a national problem. Be it occurring in the inner city or in the suburbs, redevelopment of existing structures is forcing many out of their homes. Most often, the only viable alternative for those displaced is to seek low cost housing elsewhere. Sadly enough, however, new locations will most likely become redevelopment targets in the future.

As the Committee members can see, Northern Virginia is experiencing phenomenal economic growth, which is good and should not be disparaged. Casualties of the economic boom , however, have been the displaced renters. What then is the solution to the problems that these individuals face?

This hearing is a starting point to finding a solution. In my judgment, there are short term and the long term answers if we are to tackle this problem. The short term solution is of course to seek federal assistance, but in these times when we are keeping a constant watch on the size of the federal deficit, this cannot always be the answer. A more practical alternative, however, is to have local governments encourage developers to set aside affordable housing for the residents who would otherwise face displacement. The City of Alexandria has recently taken action in this area. The Council's measure would require developers who are renovating apartment buildings to provide more parking spaces for these units unless they offer lower rents in some of the renovated units. The cost of providing more parking is prohibitive, thus the Council's actions are encouraging in this area. I might add that this proposal enjoyed bi-partisan support on the City Council.

In my judgment, long term solutions will have to include better job training and improved education so that these people are better equipped to compete in this economic environment. This Committee may also want to study ways in which the government can encourage the private sector to provide low cost funding to residents to purchase these units themselves and make their own improvements.

Let me conclude Mr. Chairman, by thanking you again for giving the residents of Dominion Gardens and Lee Gardens an opportunity to voice their concerns over what is becoming a national housing problem. I regret to say that I will have depart before the end of this hearing because of another scheduling conflict, but I remain interested in finding a solution to this situation.

Testimony of Gary L. McMichael
Co-Chair, Lee Gardens Interest Group
Associate Minister, Trinity Presbyterian Church

Before the U.S. House of Representatives
Subcommittee on Housing and Community Development
Committee on Banking, Finance and Urban Affairs
Grace Episcopal Church February 24, 1987

I am Gary McMichael, Associate Pastor of Trinity Presbyterian Church in Arlington and Co-Chair of the Lee Gardens Interest Group. The Interest Group is a coalition of community and religious organizations, tenants, low-income housing advocates and specialists, seeking to preserve low income housing at Lee Gardens.

On behalf of the Interest Group, I welcome you, Mr. Chairman to Northern Virginia and thank you for your leadership and concern in having this hearing and all the committee members for this opportunity to come before you to describe the acute crisis of affordable housing for low and moderate income persons in the Washington metropolitan area and in Arlington in particular and the present tragedy of thousands of people losing their homes at Lee Gardens.

THE PROBLEM

What we face in Arlington is a situation of economic and social injustice in which the minimum conditions of human rights and dignity are denied a particular portion of our population --low income tenants who face the lose of their homes because of a developer's purchase and renovation of their apartment complex.

THE ARLINGTON COMMUNITY

Arlington, from most economic and social perspectives, is a successful, thriving community. The community is extremely wealthy with a median family income of $44,963, one of the highest averages in the nation. From 1982 to 1986 Arlington's tax base increased by 50%. Last year the tax base continued to expand, as more and more businesses open their doors in the community. In 1987 the total accessed value of both commercial and residential properties increased by 14.5%. The total value of commercial property around the Metro stations, excluding Rosslyn, dramatically increased by 20% to 35% during the past year. These strong increased are expected to continue in futrue years. From this economic standpoint, Arlington is a thriving community with a booming real estate market.

The rental housing market currently is experiencing a major transition. Many older apartment complexes built during World War II now are in need of major renovation and structural repairs. Lee Gardens is a classic example. No one denies that Lee Gardens is not in need of significant rehabilitation. (The level and the purpose of the rehabilitation are debatable, though.) The heating system is at best unpredictable and at worst non-functional, particularly during the coldest days and nights of the winter. Roofs leak. Brick exterior walls are crumbling--all signs of poor maintenance and old age. What community would not want these deteriorating housing complexes renovated. Renovation improves the community appearance; provides better housing; and increases the tax base. But what is the price?

In the last fifteen years Arlington has experienced significant changes within its population. The community has welcomed the stranger. The Asian and Hispanic populations have grown dramatically. Arlington's foreign-born population is now 15% of the total population, more than twice the percentage for the nation. Forty-five percent of the student population is made up of minorities. The community has, also, sought to respond to the needs of a growing elderly population. These groups of people are an important, vital part of the Arlington community. Arlington as sought to develop and maintain a diversity within its population and be responsible to the needy and vulnerable.

This diversity now is at stake. An overwhelming majority of Arlington's limited English speaking population and significant a number of elderly persons on fixed incomes, most of whom are dependent on Social Security payments, live in the older apartment complexes now in need of renovation. The combination of the overall booming real estate market and numerous older apartment complex in need of renovation, make these tenants an extremely vulnerable and easily displaced segment of Arlington's community. Without a strong concerted effort on the part of government at all levels and a concerned, active community this diversity will be lost.

LEE GARDENS

The situation at Lee Gardens paints the picture. Last November, The Artery Organization, a Bethesda, Maryland based developer working extensively throughout the Washington area, purchased the Lee Garden Apartments. Now at least 3,000 low and moderate income persons living at Lee Gardens face the loss of their homes as a result of the renovation plans of Artery. The current tenants are virtually all minority or elderly persons. Approximately 80% are Hispanic, and 5% are Black: other residents include recent immigrants from Southeast Asia, India, Pakistan, Afghanistan and other countries. A significant number of elderly persons on fixed incomes have lived at Lee Gardens for decades and now face the loss of their homes. Many of the people work more than one low paying job providing the Arlington community with basic services such as retail clerks, hotel maids, restaurant cooks, housekeepers and other entry level jobs. More than 400 children currently attend Arlington County elementary schools.

THE DISPLACEMENT

The tenants, numbering more than 3,000, are currently paying between $400 and $640 for their rental apartments. After renovation, the rents will range from $600 for an efficiency to $800 for a two bedroom unit and $900 for a three bedroom unit. The current tenants cannot afford this type of rent and will be displaced.

These residents will be displaced into a market where there is no place to go. They are displaced into a market where 12,000 apartments have been converted to condominiums in the last fifteen years, and an additional 1,700 units have been lost in recent years to rehabilitation. They are displaced into a market where the median rent in 1985 was roughly $500 for a one bedroom unit, $600 for a two bedroom unit, and $700 to $800 for a three bedroom unit. They are displaced into a market where the waiting list for Section 8 certificates is 1,200 persons with a 2 to 3 year wait. Then, even when a long awaited certificate is secured the chances are that they will not be able to find a unit on which to use the certificate. The apartment vacancy rate in Arlington is 1.4%.

Picture the choice of the landlord. What landlord is going to rent to someone making minimum wage at two jobs, much less a Section 8 recipient, when he can rent to a middle income person? What landlord is going to rent to a family with two children, when two working professionals have also applied?

Where will these people go? They will move in with friends or relatives elsewhere, creating overcrowding in another housing situation. They will move to Prince William County or further away from work and transportation systems. They will become homeless in a geographical area where homeless shelters already are continuously operating at total capacity and are forced to turn people away. There is literally no place to go.

For these tenants--the working poor, the elderly on fixed incomes--the current economic system does not work. For these people, Arlington is not thriving community. No affordable housing is available to replace their current homes. They ask for a decent, affordable home. That request is too much to ask. Their homes are being taken away and for the immediate future no affordable replacement exists.

A PROPER PERSPECTIVE

The magnitude of the crisis is evident from a second standpoint. In the situation at Lee Gardens, from recent reports it is very easy to gain the impression that activities and negotiations are progressing positively. Artery will say that while it is upgrading neighborhoods and improving property which is in dismissal condition, it has also agreed to maintain at least 20% of Lee Gardens as low income housing and has committed the largest

sum of money ever set aside for relocation purposes in this state's history. The community has responded to this situation with great concern and moral outcry, and is putting together an alternative plan of development. The local government, working jointly with the tenants and the Interest Group, is actively seeking to do what is within its powers to maintain low income housing at Lee Gardens. Members of all of these groups have approached the federal and state governments for financial support.

Because of the current climate of dried up federal housing money, a booming market for up scale developers, and a system that provides no rights for tenants, many think that we are achieving a victory if we can save 20% of Lee Gardens for low income tenants. I do not want to minimize saving 20% as low income housing. But that is not a positive picture. That is not a victory.

THE INJUSTICE

There is an evil happening here. There is economic and social injustice taking place before our eyes and no one seems to have the power to intervene.

If we are successful and save all of North Lee Gardens (360+ units), the majority of the people at Lee Gardens will still be displaced into a housing market that cannot absorb them.

The injustice is that our economic and legal system says it is ok for a developer to come into a community, purchase property, renovate the property with no responsibility for the impact of the renovation upon the individual tenant or the community, leave masses of people homeless, and develop the property into a high income neighborhood.

The injustice is that our system allows a business to create a situation where people are denied the most basic human right of shelter in a community where no affordable, replacement housing exists, and is not held responsible and accountable for the human tragedy that it creates within a community.

The injustice is that tenants have no rights except that they cannot be displaced in less than 120 days.

The injustice is that our system does not work for the low income, largely Hispanic and black, poor family in which two people are working but still pay over half their income for housing, or the elderly on fixed incomes. These people are being told you do not have the basic human right to affordable housing in this community or the metropolitan area.

It is unjust and ironic that when we all must fight for a $500 million legislative package to aid the homeless and provide more adequate shelter, food, health care for the most vulnerable of our society, our economic and legal system says it is ok to displace masses of people from their homes, sending them to the streets.

CONCLUSION

I raise with you that when our economic system works only for a certain group of people and no longer protects the right to basic housing for the poor, government must act to safe guard the rights of the most vulnerable and forgotten. It is the Federal government's responsibility to re-establish justice and to set the minimum standards so that tenants have rights and are protected in our society.

Human lives are now in upheaval and turmoil at Lee Gardens. We are facing a situation which can be called economic apartheid. You can work here in our community. We vitally need your services. But you can't live here. There is no housing available for you. Affordable low income housing is an endangered species in Arlington. When something is endangered, strong, quick action is needed if it is to be saved from extinction. The community must continue to respond with great concern and creative imagination. We must continue to search for new avenues of maintaining what precious little low income housing we have left. The political will to preserve this housing must be initiated. The local and state governments must make new and stronger commitments for low income housing and the basic rights of tenants. Recognizing the acute crisis we face in low income housing and the drying up of Federal funds in recent years, we need a clear, strong re-commitment on the part of the Federal to lead the way in this fight for affordable housing for all of our citizens and the rights of the poor and elderly.

TESTIMONY BY Julieta Nelson, for Lee Gardens tenants
Address: 711 N. Wayne St., #102, Arlington, VA
Brief background: Married, mother of four, two currently enrolled in Arlington Public Schools, full-time babysitter and homemaker, native of Panama City, Panama, who has lived in the Washington, D.C. area for 7 years.

Good morning, Mr. Chairman. On behalf of the tenants at Lee Gardens, I would like to thank you for allowing me to testify before you today and for your interest in our dilemma.

My name is Julieta Nelson, and I am the mother of four children, two of whom currently live with me and my husband in Lee Gardens. We moved to Lee Gardens from northeast Washington 3½ years ago because we didn't like where we were living. I was afraid that my sons, who are now 11 and 17, would come into contact with bad company there. This is a better environment. I also like the schools here--Long Branch, where my youngest is in 5th grade, and Washington-Lee High, where the oldest is a junior.

If we are forced to leave Lee Gardens, I honestly don't know what we will do. Currently, it takes practically every penny we earn, through my full-time babysitting, through my husband's full-time waiting, and through my older son's part-time work, to pay just the rent. The rent we currently pay for our two-bedroom apartment is $550 per month, including utilities. With Artery's renovation, that rent would go up to $700, not including utilities. Before taxes, our monthly income is about $850 per month. After taxes it is just enough to get us by--no more.

I make $65 per week babysitting two children while their mothers and fathers

work. Fortunately, my husband recently got a better job. He had been working at the Channel Inn for $1.90 per hour, from 10 a.m. to 10 p.m. every day. But, after seven years there with no raises, no promotions, no bonuses, he looked for another job and got one at the Stouffer's Hotel in Crystal City. He now makes the minimum wage and works more reasonable hours--3 to 11 p.m. He has been there 7 weeks. My 17-year-old has a part-time job as a pantry worker at ChiChi's at Bailey's Crossroads. He is also paid the minimum wage, but the work isn't steady--they call him only when they need him.

We are trying to make our money situation better, and I am looking for a job doing cleaning; still, we can't afford a car, a phone, or anything but the bare necessities. What keeps us from being completely destitute are the things I brought with me from Panama--at least we have furniture. There are others in Lee Gardens who don't even have that. I helped do our tenants' organization survey, and I saw apartments without a stick of furniture. People who look good on the street for their jobs but who sleep on the floor at night.

One of the things that worries me the most is my son. He feels like dropping out to help us, but I beg him not too. His grades have dropped, but I am hopeful that he will stay in there--he has only one more year to graduate.

What are our alternatives? Where would we move? I look at the ads in the paper for homes, apartments, and condominiums. There are clearly enough of them, but not for us, not for lower income people.

Where could we turn for more money? I'm already getting $100 per month private assistance from a friend. We have even had to be late on the rent once in a while. I must say, despite its reputation for aggressive business practices, that Artery has been understanding about this.

All I can think of is that we'll have to pack up and leave--leave our jobs, leave the schools. My husband has brothers and sisters in the area, but they're no help. And most of my relatives are in Philadelphia and New York. It is there, to stay with them, that we would have to go.

Some people would say, why not go to public assistance? I don't want to get on the public services. I want to work. I do not want to jeopardize my dignity. Even asking for public help dehumanizes one. I want to be independent. You can't imagine the impact if we were to go on public assistance. I would rather work in the dirtiest of jobs to pay our expenses.

What I don't understand is why there is not a situation here like there is in Panama. There, when there is displacement, people are not just thrown out on the streets. First they are provided with other housing. Why can you not do that here and prevent those displaced persons from going on welfare and food stamps? Why not allow us to renovate all those boarded-up buildings I have seen--in the district at least?

In summary, I would like to say that we in this community of Lee

Gardens are very hard-working people. Others I know are full-time babysitters like me, full-time waiters like my husband, cab drivers, cleaning service and hotel workers, elderly on fixed incomes, and some handicapped. My husband and I are not unique. Most of us in Lee Gardens earn only the minimum wage and even less, and it takes 75% ofor more of our earnings to pay the rent.

We do not want to be burdens to the government. All we are asking you, the planners, and the developers to do, is to remember that there is a vast majority of hard-working people, still in the low and moderate income levels, who, as much as they would like to be able to, are not able to pay higher rents here or anywhere else, even if the units are available, which they are not.

Our kids are hurting because of the uncertainty of our future; we really have no place to go from here except the streets. We appeal to you to please make this issue top priority--a very large number of families are depending on your help.

Thank-you, and God bless you and your families.

Sincerely,

Julieta Nelson

TESTIMONY BY Philip M. Gelbman, for Lee Gardens tenants.
Address: 909 N. Wayne St., #102, Arlington, VA
Brief background: retired master sergeant, U.S. Army. 27½ years of active duty, WWII veteran, long-time resident of Arlington (nearly 48 years).

Good morning Mr. Chairman. Thank-you very much for allowing me to come before you to testify today.

My name is Philip M. Gelbman, and I am a retired master sergeant, U.S. Army. I have lived within the Lee Gardens complex continuously since 1975. I have lived in Northern Virginia my entire adult life. I am now 70 years old and a widower, living on my Army pension and Social Security. I still have privileges at Ft. Myer, which is just acress Rt. 50 from Lee Gardens.

When I was first married, in 1939, my wife moved to Lee Gardens. I say my wife, because she was really the one who lived here then--I was in the Army, and then I went off to war. When we returned to Lee Gardens to live, in 1975, after my wife's mother died and my wife was having severe problems with her congestive heart, it was what my wife wanted to do. The doctor wanted to put her in a nursing home, but we rented a ground-level apartment (the place I live now) instead. Aside from the fact that she had always liked the people who then owned and operated Lee Gardens, I think my wife felt she had grown up here, being young when I married her and with my having to leave a lot, and given the fact that she was a small town girl from Kentucky.

As my wife's condition worsened, she could barely find the strength to talk, but she had a friend named Eliza, and she was able to

confide to her friend that when she died, she didn't want me hanging around and being lonely. She also wanted me to get married again. When I asked her myself what she wanted me to do, when I asked her, "Do you want me to move?", she shook her head violently and said "Home." I got the idea from that that she didn't want me to move from here.

And I haven't. I've tried to do the other things she wanted me to--I came close to getting married a few years ago, but it fell through. I haven't been lonely, though. Probably the main reason I've stayed here at Lee Gardens is the neighbor upstairs. His wife was a semi-invalid too. She and my wife became good friends. She passed away shortly before my wife, but he's still there--a Navy man who also worked for the government. He served on the Missouri and witnessed the Japanese surrender.

There are a few other retired military living at Lee Gardens, although most of them go to Florida or a retirement home. There is a good percentage of retired government--due to age or disability. The lady upstairs retired from the government and lived here 41 years. But then she got so disgusted at the lack of maintenance and the scare tactics of management--trying to get people to move away--that she just left. Of course, she wasn't hurting for money because she had just bought a new car , and we think she then went out and bought herself a house.

In terms of this current situation, the first thing we heard was that M & G, the old management company, was going to remodel. I didn't

panic. I don't panic. And I have thought about where I would go, perhaps to friends in Kentucky or to a retirement home. But I would like to stay, although that will be difficult for me,and many others at Lee Gardens, without help.

I pay $440 per month in rent now, with all utilities included. Under the Artery proposal for renovation, I would have to pay $625 for the same apartment, not including lights and gas. My rent now is about 30 percent of my total income; the new rent would be over 40%, depending on utility costs.

I think I might be eligible for rent relief. But is there money available for rent relief? And what will happen to Lee Gardens residents who currently aren't eligible for it?

I am a lifelong voter who is registered as an independent and who usually votes conservative. I am active in civic affairs, and since retiring and since my wife died, I like to watch Congress in action on television and to help senior citizens get to the doctor or the grocery store with my car. I didn't intend to get involved in this conversion situation, but I got so upset about the way M & G handled it--trying to scare people into moving away. There are people whose rent is now 60% of their incomes, and some of the elderly people have become quite upset about what will happen to them. Take Mrs. Duber, for example. She has been in the hospital in serious condition with pneumonia ever since the boiler blew about four weeks ago. Her condition was probably brought on by the cold, but also by anxiety. She is 81, has lived in Lee Gardens for 42

years, and recently confided to a friend that she is run down from worrying about where she will go.

I don't want to steal anyone's thunder--I know Charles Rinker is going to talk about rent relief and renovation subsidies--but I would like to make a proposal: I have found out that the county has very little leverage and that the federal government has very little money now for rent relief for people like me and many others in Lee Gardens. But why not pass legislation to make sure that all of us here would be eligible for rent relief, then fund that with some portion of the money in the Housing for the Homeless bill Mr. Gonzalez won passage of a few weeks ago? The county would kick in too, of course. I would like to point out that all of us at Lee Gardens pay sales tax, and some pay income tax, so we should be able to get some benefit from that to save our homes.

Gentlemen, the homeless and the street people are becoming an enormous burden on the more fortunate citizens of this country. Don't allow us to be forced to add to this burden. If we must relocate, then so be it, but where becomes the question. It is becoming very difficult to find appropriate housing for us in Arlington and adjacent jurisdictions. If we could relocate, we would, accepting our fate. We would move and try to reorganize our disrupted lives, try to re-establish our work, transportation, education, and social activities. But relocation is not that possible. Please remember that.

I hope that I have been able to convey some of the doubts, fears, and

mental stress that our situation has caused at Lee Gardens and undoubtedly elsewhere where low and moderate income units are undergoing renovation.

We just hope and pray that you gentlemen can see the big picture, on both the local and national levels, and can ascertain appropriate political and legislative remedies and make them available through your good offices.

Respectfully,
Philip M. Gelbman

STATEMENT BEFORE THE U.S. HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
Grace Episcopal Church, Alexandria -- February 24, 1987

- by Charles Rinker, Jr.
524 North Jackson St., Arlington, Va. (703:243-5775)
Low/Moderate Income Housing Development Consultant
(with Rinker and Associates)
Member, Arlington Housing Advisory Commission
Co-Founder/Past President, Arlington Housing Corp.

INTRODUCTION AND BACKGROUND

Chairman Gonzalez and members of the Subcommittee on Housing and Community Development, we welcome you to Northern Virginia to hear about our housing needs; and we thank you all for your interest, care and concern. I come before you this morning with nearly twenty (20) years of experience in the development and perservation of low and moderate income housing. Over the years, I have been involved (both professionally and as a community volunteer) in several non-profit housing corporations' efforts to develop, rehabilitate and/or preserve low and moderate income housing. For the past seven (7) years, I have operated a financial and development consulting company (named Rinker and Asociates) whose task can be broadly described as that of designing and implementing capital formation mechanisms that make private capital available and effective in addressing human and community needs. With an understanding that the extension of credit in a society is an expression of brotherly love, and that broad access to capital and credit is a measure of a society's justice toward its members, I have been working to create a more just economic order.

To date, my company has assisted low and moderate income tenants of over one thousand (1,000) units in the Washington metropolitan area to acquire and rehabilitate their units, and keep them affordable to the existing tenants. Most of the tenant-sponsored property acquisitions and rehabiltations have been tenant-sponsored conversions to cooperatives (with a few converted to condominiums and a few continued as rental with a for-profit co-developer entity). The tenants of a given property form a tenants association, and contract with my company to provide the financial and development consultation necessary to plan, finance and implement the acquisition, conversion and rehabilitation of the property. In the large majority of projects on which we have worked, the tenants become the owners of the property, and receive the benefits of home ownership. But in every case where such a tenant-sponsored scenario has worked to preserve low and moderate income housing, the key has been that the outside private purchaser-developer has been restricted from displacing the current residents, and the tenants themselves have had standing in the purchase process for the property, as well as purchase assistance programs to assist them in the purchase.

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THE HOUSING NEED

Lee Gardens (and Dominion Gardens) is but another example of what has been happening over the last 10 - 15 years to low and moderate income families with respect to their housing. The fact is that the present U.S. economy does not work for (i.e., does not meet the needs of) a large -- and increasingly larger -- portion of our society. This is particularly evident in the area of housing and shelter, where the present private property development and delivery system is failing more and more of our citizens at the lower end of the economic scale. We are seeing increasing numbers of homelessness in all of our cities. We are losing low and moderate income rental housing units throughout the urban areas of our country at the rate of five hundred thousand (500,000) per year -- or nearly, forty-two thousand (42,000) per month; and these units are not being replaced by the private or the public sectors. As a result, the vacancy rates in most urban areas are very low to practically non-existent; and rents are increasing in this low-vacancy-tight-rental markets at levels that are far above the rates of inflation. A look at national home-ownership statistics shows that homeownership has declined from 62% in 1970 to 53% in 1986, with the younger Americans being the hardest hit. (Between 1975 and 1985, homeownership in the 25-29 age group dropped from 43% to 34%.) In short, the dream of owning one's home is becoming less and less a possibility.

The need in Northern Virginia for housing (both rental and ownership housing) that is affordable to low and moderate income persons and families is beyond crisis proportions. The remaining moderate-cost housing in our area is something akin to gold and silver -- i.e., an irreplaceable resource in very short supply. If we do not preserve the moderate-cost housing we have, it will be gone forever, for it is impossible to replace the existing moderate-cost units with new units at anywhere near the same cost.

-- In Alexandria, since 1977, over 7,000 units of low and moderate income rental housing (approximately 25% of its rental housing stock) has been converted to condominiums, largely at monthly carrying charges that the current rental residents could not afford. Last year alone, the loss of Alexandria's moderate cost rental units to developers who plan to rehab and "convert" to high-cost rental units has numbered over 2,500 units -- most of that in the Arlandria community, where the City's concentration of low income housing exists.

-- In Arlington, since 1972, the number of rental units converted to condominiums is over 12,000 (or approximately 27% of its rental housing stock), almost all of which was low and moderate income housing prior to conversion. More recently, the loss of moderate cost rental units has been to developers (like Artery) who rehab and "convert" the properties to high cost rental units. The Artery Organization is the most recent (and most massive in terms of numbers of residents involved) of this latest phenomenon. Artery has purchased the Lee Gardens Apartments, some 950 units of low and moderate income rental housing (presently housing 3,000 to 4,000 residents), with

a scenario of rehabbing the property and raising the moderate-cost rents to $600 for an efficiency, $700 for a one-bedroom, $800 for a two-bedroom, and $900 for a three-bedroom. (As a practical reality, the tenants who are being displaced have no place to go in the entire D.C. metropolitan area to find replacement housing that they can afford. These are working people, making near minimum wage, who serve as retail clerks, hotel maids and porters, cooks, housekeepers, government workers, secretaries and office workers, and in entry-level jobs with some of our national corporations who have their offices in the metropolitan area. They are already paying 35% to 50% (some more) of their income for housing, with monthly rents ranging from $400 for an efficiency to $640 for a three-bedroom unit. Obviously, everyone at Lee Gardens will be displaced because they cannot afford the new rents; and where will they go? Some will move in with family or friends and overcrowd another affordable rental unit; some will move out of the area completely; some will go down the Route 1 and I-395 corridors, to Woodbrige, Stafford County, Richmond, while still trying to commute to work in the D.C. area; some will go to the streets and increase the homeless population of the shelters, because they literally have no place to go.)

-- Even in Fairfax County where there is still a lot of developable land, since 1972, the number of rental units converted to condominiums is over 9,300, again almost all of which was low and moderate income housing prior to conversion; and this figure does not include the additional moderate cost units that have been "converted" to high cost rental units.

THE NEED FOR PRIVATE DEVELOPER RESPONSIBILITY

If anyone were to ask any of the people or institutions responsible for this massive tenant displacement at Lee Gardens (or Dominion Gardens), why they are doing this development, they would claim they were just trying to make a living like the rest of us. The Artery Organization (the purchaser and developer of the Lee and Dominion Gardens complexes) and its lenders no doubt see in this project an opportunity to make money. Moreover, they see themselves as providing a community service; and cite the fact that the properties need rehabilitation (which is true, though the level and purpose of such rehabilitation is debatable). Yet the problem of providing housing for the low and moderate income residents of the properties is not viewed as their responsibilty (even though the properties presently house low and moderate income residents, and did so when they purchased them), but rather as that of government. (Ironically, at the same time that they are visiting such havoc upon our communities, the Artery Organization and its affilitate, the Charles E. Smith Co. -- several of whose principals have an ownership interest in the Artery Organization -- have multimillion-dollar arrangements with both Arlington and Fairfax Counties to build new government office complexes.)

But if private profit is made in such a cavalier way that it deprives others in the society of the necessities of life -- food, clothing, shelter, health, etc. -- then it's just plain wrong, immoral and unjust. Private owner-

ship of capital has produced great freedom and economic growth in this country -- and I affirm the system of capitalism and private enterprise. But there is no implied right in private ownership to accumulate one's wealth at the expense of others' misery.

In several other areas of our society, we have recognized that a private party is not absolutely free to make his or her money without regard to the consequences of one's money-making activities. If a company owner pays such low wages that his wage-earner is not able to adequately feed, cloth and house his or her family, it is wrong; and (while we debate periodically whether the minimum wage law amounts or coverage is adequate) we as a society have recognized for sometime now and actually codified into a minimum wage law that there must be a wage floor below which wages should not drop without their becoming exploitative. Likewise, if a company so pollutes the air or water of its environs that the community suffers health risks and detriments, it is wrong; and (while we debate periodically whether the environmental protection laws are adequate or not) we as a society have recognized and codified certain anti-pollution laws that give the community a measure of protection against such practices. Similarly, if a business that serves the public discriminates in its service to minorities or on the basis of race, it is wrong; and (while we debate whether such laws are strong enough) we have federal laws that protect those discriminated against, and give them redress.

To date, we have very few laws (none in Virginia, and few if any elsewhere) that protect tenants from being displaced from moderate-cost housing by purchaser-developers who, the argument goes, have a right to do what they want with their private property, whether or not there is adequate replacement housing for their tenants. A purchaser-developer in Virginia can simply buy a multi-family housing complex and, with a view to maximizing profits, provide the existing tenants (no matter how long they have lived there, or what their situation) with 120-day notices to vacate their homes.

This effort by the purchaser-developer to shift the burden of responsibilty for providing alternative housing solely and completely to government is wrong. Private property has a "social mortgage" on it, which implies that with all private ownership goes a social and moral responsibility on the part of the owner (and certainly on the part of the lender, who operates by using the community's money and under federal Community Reinvestment Act guidelines) to build up the community and enhance the lives of the people who live there. A stewardship responsibility to assist the community in meeting its needs has attached itself to the private property; and if a purchaser-developer is not willing to accept the social responsibility for property ownership, then he or she should not buy the property.

It is time for certain checks and minimum levels of social responsibility concerning tenants' rights and displacement to be codified into federal law. It is time this country adopted an economic bill of rights for its citizenry with respect to housing and shelter, where deve-

lopers who purchase low and moderate income housing properties in communities where the vacancy rates are below three (3) percent are required to take responsibility for the residents of the property they purchase, and not simply displace them from their homes with no where to go. I implore you as a Congressional Subcommittee with responsibility in this area, to take this issue on, and to come up with a legislation that addresses this need. Like the labor laws of the 1930's and the civil rights legislation of the 1960's, these issues of displacement and tenants rights must be addressed at the federal level. It is an issue of national importance; and is simply too important with respect to human rights, to be left solely up to the states and localities. The federal government, as it has done in so many issues of citizen rights and social justice over the years, and under its constitutional mandate "to ... establish justice, insure domestic tranquility, ... promote the general welfare, and secure the blessings of liberty to ourselves and our posterity", must set the minimum standards by which tenants rights will be protected in the society; and the time for such is long overdue.

While I would like to see this Subcommittee develop comprehensive legislation that might become the "Tenants Rights Act of 1987", let me make a more modest suggestion as to a place to start with respect to the displacement issue. Why not require the purchaser-developers of low and moderate income properties to file a displacement impact statement that addresses the developer's redevelopment plans -- and especially how the purchaser-developer plans to minimize displacement of current residents, and keep such displacement at acceptable levels? One method of doing this (though there are others) would be to require lenders that are federally insured or otherwise regulated to require developers who apply for financing from them to make such a displacement finding. The law could apply to federally-insured banks and S and L's, to federally regulated insurance companies, and to publicly traded securities firms; and could be viewed as a part of a lender's Community Reinvestment Act responsibilities. (Indeed, this would put some teeth into the lender's CRA responsibilities; for it is my strong feeling -- though I have no way to substantiate such at the present time -- that lenders count their loans to purchaser-developers of properties such as Lee Gardens, Dominion Gardens, etc. on their CRA reports as evidence of their meeting their CRA responsibilities, even though the loans have the effect of helping developers displace their current low and moderate income residents -- the exact opposite of what the CRA responsibility is to effectuate.)

Such a displacement impact finding process, whether done through the lenders or somewhere else, would give tremendous protection to local communities and to low and moderate income residents of endangered properties, if the finding (once filed) were made public, with the local community and the residents of the affected properties having an opportunity to review and comment upon the displacement impact finding. Moreover, if such displacement impact was found to displace more than a reasonable percentage of the residents -- (say) twenty (20) percent of the low and moderate income residents in one year -- without adequate replacement housing being available, then the finding would result in the lender's not making the loan

until an adequate non-displacement redevelopment scenario was worked out with the local community and the current affected residents. Such would put the local government and the tenants of the affected property in a position of having a voice in the redevelopment plans -- whereas now they simply have no voice in the process. (If such a displacment finding were required by law, the purchaser-developers would have to evaluate this aspect of their plans very seriously when considering whether to buy a property -- and may even write purchase contracts contingent upon being able to satisfy such preservation needs.)

THE NEED FOR PUBLIC RESPONSIBILITY AND ASSISTANCE

In addition to the abovementioned regulatory approach, there is an incentive which the federal government could provide that would probably do more than anything else I can think of, to put tenants into the picture when their property is being sold. That would be to provide a meaningful and significant federal tax incentive to landlords who sell their properties to their tenants. The tax incentive would need to be meaningful and significant to the landlord-owner, in order for the landlord-owner to take the additional time and trouble to arrange such a sale to their tenants; and such a "sale to tenants" would need to encompass equity-sharing or co-development approaches where the tenants have a real ownership interest, but need an equity partner in order to purchase the property.

One way to provide such an incentive would be to reinstate the capital gains tax treatment which was applicable to all transfers of real property under the pre-1987 tax laws, for such qualified sales to tenants. Another would be to establish a tax credit for such qualified sales to tenants. Whatever the mechanism for doing it, the objective would be to provide an exclusion on some portion of the property's appreciation or gain that the owner-seller would normally be taxed on, for sales to tenants of multi-family properties. The important thing is that this action would revolutionize the system of residential property sales, and bring the tenants directly into a position of standing in the sell-buy relationship at the time of the rental property transfer. It would institutionalize urban land reform or urban homesteading within the private sector, and do it by incentive -- so that every landlord-owner would be encouraged to think in terms of a sale to the tenants. It would go far in the direction of democratizing capitalism (in this one area of our economy), and bringing more people into a position of ownership of capital -- which is an overall direction which (I believe) we as a country must go if we are to invigorate our rather stagnant economic system and make it work for all of our citizens -- but that's another topic for another time!

Some will argue that to think of homeownership for low and moderate income families in multi-family properties is a ridiculous idea, because it is more expensive than rental programs. But such is not the case; in fact, quite the contrary is true -- especially if government at all levels would provide assistance to first time homeowners, like they have to developers of rental housing. (For example, why not provide monthly housing cost subsidies to income-eligible homeowners by expanding or modifying the Section 8

rental assistance or the housing voucher programs; but instead of making the assistance available to homeowners in the form of a grant, provide it in the form of a second mortgage on the property, to be paid off at the time the property is sold or when the assisted family's income has risen to a level that the family is no longer eligible for such assistance. Such a modification would provide home-ownership opportunities to thousands of Americans, and do it in a way that is less costly than the present rental assistance programs.)

The benefits of homeownership to the tenant-become-homeowner and to the larger society are great. The most immediate homeownership benefit is that the new homeowner has a large measure of control over his or her housing situation which was previously missing; and such control almost always translates itself into cost reductions and getting more for one's housing money. The resident-occupant (along with his co-owners) now decides the level of services and amenities that he desires at the housing complex, based upon what he is willing and able to pay for. He takes an economic interest in the property, with respect to sweat-equity, in making repairs, do plantings, etc. (which translate into operational savings) and with respect to caring for the property and its expenditures (which likewise translates into operational savings). For the renter who used to throw up his windows when his apartment got too hot, or turn his stove on when it got too cold -- now that he is an owner who has an economic interest in preventing waste, he gets in touch with his management company to better regulate the heat. (Every one of the tenant-sponsored housing cooperatives and condominiums that I have established that have three or more years of history show that their average annual operating expense increases are below the average rent increases that they experienced as renters. One cooperative just got in touch with me last fall to lament the fact that they had to raise their operating cost assessment by three (3) percent for 1987; and when I commented to them that that was still under the allowable rent increase amount under D.C. rent control for the year, they explained that this was the first time since I left them at the completion of their renovations over four years ago that they have had to raise their assessment at all.) Indeed, several studies over the years demonstrate how owner-occupied housing cost increases are less than renter-occupied housing cost increases -- which should be of no surprise to anyone who is a homeowner.

A second benefit is the income tax deduction benefits (for mortgage interest and real estate taxes paid) which the owner-occupant gets as owner that he or she never got as a renter. This benefit often brings the owner's after-tax cost of their unit down to close to what he was paying for rent prior to ownership, and over time (with the cost savings mentioned above) to a lesser amount than what comparable rents would be for comparable space.

A third benefit is the equity appreciation or build-up in which the owner-occupant is able to participate. Because the homeowner is able to finance the purchase of his home with a 90% to 95% mortgage, and thus leverage a comparatively large value for 5% to 10% cash down, the

equity build-up in one's home is tremendous compared to other ways the homeowner might save or invest his money. This equity appreciation over time gives the homeowner a dimension of economic freedom which he cannot get elsewhere, and which is not available to him as a renter even if he is frugal and saves his money. In five or ten years after the purchase, assuming normal, average property appreciation, there is equity available in the property should the homeowner need it to send a child to college, start a new career, handle a medical emergency, purchase a larger home, make another investment, etc. That equity can be borrowed upon, or translated into cash at the sale of one's home. In short, the homeowner has been able to participate in the capitalist economy, and to get the most bang for his housing dollar.

The benefit to the community at large is likewise great! In contrast to the homeowner, the abstentee owner make decisions based on considerations that have nothing to do with the needs of the community. But the homeowner continues to invest his money and his sweat into his property to enhance its value and comfort. The homeowner on the average takes a more active role in his community, participating in civic associations, neighborhood committees, PTA's, etc. The homeowner generally feels more of a stake in his community, because he owns part of it; and such a feeling, when shared by several homeowners similarly interested in their community, tends to stabilize, strengthen and (in most cases) revitalize the community. Indeed, the political and social spillover of homeownership is immeasurable.

The final piece in this responsibility of the public sector (which applies to federal, state and local levels of government, and must be shared at all three levels) is that of providing financial assistance programs that are effective and not-too-costly to assist low and moderate income tenants in their efforts to preserve and develop (or co-develop) their properties. The localities and the states can no longer look solely to the federal government to do this job, as it has done in the past; and both are going to have to commit some dollars to make these efforts work. But neither can the federal government expect the local and state governments to shoulder the entire burden. Rather, it must be a partnership of all levels in the public sector (perhaps even a matching funds approach among the three levels of government).

Two general suggestions as to the design of such tenant purchase and preservation assistance programs that might be developed:

-- First, the financial assistance programs that are developed should not require those tenants who are being helped to restrict their options to limited-yield approaches such as limited-yield cooperatives, etc. This is often done to maintain the assisted housing so that it is available long-term to low and moderate income people (to second and third and fourth purchasers); but such approaches establish a second class form of housing ownership, and keep the homeowner from becoming a full capital

owner, with the result that residents feel themselves just a short step away from being renters. Assistance programs should be made available to all forms of home ownership, whether limited-yield or market-rate, and to equity-sharing and co-development projects. The tenants should be the ones to decide what options work best for them.

-- Second, the assistance that is provided by the public sector should be provided in the form of loans rather than grants. The assistance will need to be non-interest bearing loans (in some cases); deferred or graduated payment loans (in other cases); or shared appreciation loans (in still other cases). The point is that the assistance be made in the form of a loan, to be paid back at the time of resale, for reuse for a similar assistance need. Such a revolving fund approach to providing the assistance is both the most fiscally responsible way and the most taxpayer-acceptable way for the public to assist, because the funds will come back at sometime in the future (though in many cases it will be tied up in a project for a long time) to be reused for the same purpose. Indeed, this loan approach in part meets the goal which those who argue that the publicly assisted units should be limited-yield, in that there are dollars revolved to continue the provision of low and moderate income housing. Moreover, from the perspective of the recipient of the assistance, such a loan approach is entirely acceptable, fair and understandable. For in most cases the people in need do not want charity; they want justice and access to credit and capital so that they can fully participate in the American dream.

LEADERSHIP FROM THE FEDERAL GOVERMENT

I do not mean to suggest by this immediately preceding discussion of homeownership programs, or by not elaborating upon needed rental assistance programs, that we a society do not also have to do a better job of providing affordable rental housing. I do mean to suggest that we should not think only of rental housing programs and assistance when we discuss housing for low and moderate income persons. Indeed, the plans being developed to preserve Lee Gardens includes a substantial (and in the final analysis perhaps a total) rental component. But there has been a inclination among housing professionals to think of low and moderate income housing only in terms of providing rental housing; and this must change.

The important aspect of this testimony is its call for action on the part of the federal government! It is true what everyone is saying about housing need and the federal government -- namely, that the federal government must provide more dollars to solve our housing problems. But generally, in this testimony, I have tried to break new ground. I have tried to address the question of how the federal government can assist communities and empower tenants to prevent the human misery and displacement injustice of the present private redevelopment process at properties like Lee Gardens and Dominion Gardens, in the future. A look at how this and several other such tenant displacement actions have taken place, tells us that the private purchaser-developer must be regulated with respect to displacement, and that the tenants must be given a voice

and a role in the acquisition/conversion/rehabilitation process. Without such regulation and empowerment, the human misery and displacement injustice of a Lee Gardens or a Dominion Gardens will continue and intensify. Every year that we as a society put off dealing with the problem of the loss of our moderate cost housing stock just makes the problem that much more severe, and homelessness that much more prevalent.

The tools to prevent this massive displacement and dislocation of low and moderate income citizens must be provided by the federal government. For only the federal government has the power to ring this bell of freedom and sing this song of justice all over this land. Without federal action in this arena, localities and tenants will continue to fight these localized skirmishes; but we as a society will lose the war. I implore you (to paraphase Dr. Martin Luther King) to be a drum-major for justice for low and moderate income tenants; and we at the local level pledge to you, that we will do our best to take the tools that you give us, and create structures of economic justice in the area of housing which will assist the people who need it most. If we as a country do not change the way America does its housing business, we will remain a nation divided between political freedom and economic dependence, with social justice remaining a dream deferred. Thank you again for your expression of concern for this problem, as evidenced by your visit to us today!

TESTIMONY ON RENTAL HOUSING AFFORDABILITY FOR LOW- AND MODERATE-INCOME PEOPLE

Presented By:

Raul Yzaguirre
President

NATIONAL COUNCIL OF LA RAZA
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Before:

Subcommittee on Housing and Community Development
Committee on Banking, Finance and Urban Affairs
United States House of Reprresentatives
Hon. Henry B. Gonzalez, Chairman

February 24, 1987

STATEMENT OF RAUL YZAGUIRRE, PRESIDENT
NATIONAL COUNCIL OF LA RAZA

I. INTRODUCTION

Mr. Chairman and members of the Subcommittee, I am Raul Yzaguirre, President of the National Council of La Raza. The National Council is a Washington, D.C.-based, nonprofit organization dedicated to improving life opportunities for Americans of Hispanic descent. The National Council represents local community-based organizations operating in 32 states, the District of Columbia, and Puerto Rico, who together provide education, employment, housing, health, community development, and social services to about one million Hispanics annually. We understand that other witnesses will focus on the specific details of the crisis faced by Arlandria residents; we wish to emphasize that this crisis exemplifies a national problem that needs both local and national solutions.

The National Council and its affiliates have long viewed the substandard housing conditions faced by Hispanics as a major national concern. Since 1975, we have provided direct, on-site technical assistance to over 40 communities and community-based organizations in the planning, financing and development of housing construction and rehabilitation programs. In all, some 575 units have been constructed or rehabilitated with the Council's assistance, including:

- The only Farmers Home Administration (FmHA) multi-family cooperative in the United States (Arizona);
- The only FmHA Sec. 523-funded scattered-site, self-help rehabilitation program (Texas);
- A series of Department of Housing and Urban Development (HUD) Sec. 202 elderly and handicapped housing developments (Texas, Arizona, California);
- Several FmHA Sec. 515/HUD Sec. 8 rural rental housing developments (Arizona, Texas); and
- A self-supported and self-managed mobile home farmworker cooperative (Florida).

In addition, we have been active on housing issues from a national perspective for many years. I currently chair the National Neighborhood Coalition, and am a member of the Board of the Enterprise Foundation. The Council has been represented on the Boards of the National Low Income Housing Coalition, the Rural Coalition and the Fund for an OPEN Society for more than a decade. Most recently, we have been active participants in the Coalition for Low Income Community Development.

On behalf of the National Council, I wish to thank the Chairman and the Subcommittee for this opportunity to present our views. We are pleased that the Subcommittee has chosen not only to hold this hearing, but to do so in Arlandria itself, evidencing once again the Chairman's commitment and dedication to improving housing conditions for low and moderate-income people. The crisis facing the low-income, predominantly minority, tenants of the Layton Estate complex is a microcosm of the housing crisis facing low-income minorities throughout the country.

Statement of Raul Yzaguirre
National Council of La Raza

II. HISPANIC HOUSING CONDITIONS

A. Overview

It is surely unnecessary to recite the litany of statistical studies -- many prepared at the direction or request of this Subcommittee -- documenting the disgraceful housing conditions faced by the Hispanic community nationwide. Suffice it to say that over one-third of all Hispanic Americans live in physically inadequate or overcrowded housing; thus, Hispanics are more than three times as likely as Whites to live in substandard housing.

Moreover, Hispanics pay a greater percentage of their incomes for the privilege of living under substandard conditions. A recent study for the National Low Income Housing Coalition demonstrated that only those households earning more than $25,000 annually have any reasonable expectation of paying less than 30% of their income for housing. While more than half of the total population can meet this standard, only about one-third of Hispanic families earn $25,000 or more; Hispanics are twice as likely as Whites to earn below poverty-level wages.

Hispanics are also under-represented as homeowners; while 65% of all households are owner-occupied, only about 43% of Hispanics own their own homes; thus, the availability of affordable rental housing is of critical importance to the Hispanic community.

B. The Supply Crisis

Increasingly, the issue is not whether Hispanics and other minorities can find affordable housing that is also safe and decent; the issue is whether affordable housing can be found at all. Economic and demographic factors have combined to produce an enormous shortage of affordable housing, especially in the nation's major urban centers. The demographic changes include:

- The maturation of the "baby boom" cohort, seeking housing, often for the first time;
- The reduction in typical household size, resulting from:
  - A decline in multi-family and extended family living arrangements; and
  - A marked tendency among "baby boomers" to postpone marriage and children.

In short, these demographic trends have meant that the number of households has grown much faster than the population, placing increasing "demand side" pressure on the existing housing stock. This upturn in demand -- especially for low- and moderate-income renters -- has been accompanied by both a relative and an absolute decrease in the supply of affordable housing, primarily due to:

- The relatively higher profits associated with the development of housing for the single-family, owner-occupied market and the upscale rental market;
- The relatively low marginal cost of producing rental units for middle- and upper-income families instead of more affordable units for lower-income families;
- The tax-subsidized conversion of low-income rental properties to upscale rental or condominium units; and
- The virtual elimination of federally-funded new construction and rehabilitation programs targeted to low- and moderate-income persons.

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National Council of La Raza

The result has been a severe and growing shortage of affordable rental housing. In 1970, for example, there were about two "affordable" units ($125/month rent) for every "very low income" ($5,000 income or less) family. By 1980, the situation was reversed; there were more than two very low income families for each affordable unit.

These trends are highly visible in the Washington, D.C. area in general and the Northern Virginia suburbs in particular. As the other witnesses will attest, Alexandria and the surrounding communities provide few opportunities for low- and moderate-income families seeking housing.

C. Displacement

Both through direct government intervention, and in this case, the combination of private and public initiatives, displacement is a major threat to low-income people throughout the country. While — in no small part because of the efforts of the Chairman and this Subcommittee — we may be seeing fewer examples of direct displacement by government-sponsored development, the overall displacement problem appears to be growing. Indeed, testimony before this Subcommittee has documented that perhaps 500,000 low-income rental units are lost through displacement each year.

While few Hispanic-specific national data on displacement are available, this Subcommittee has previously heard numerous witnesses describing "real world" examples in virtually every part of the country of Hispanics who have been displaced from their homes.

Much of the problem is due to private initiatives stimulated and supported by a variety of public subsidies; the balance can be attributed to neglect and government inaction. It appears that both public subsidies and government neglect have contributed to the Arlandria crisis.

D. Housing Discrimination

It is a common assumption that the housing conditions of Hispanics and other minorities are caused exclusively by the higher incidence of poverty among these minority groups. While it is true that the median family income for Hispanics is only about two-thirds that of Whites, income differences alone cannot fully explain the housing deprivation suffered by Hispanics and other minorities. According to a recent internal HUD study:

> When common factors contributing to housing deprivation are taken into account, differences in housing conditions among Whites, Blacks, and Hispanics are narrowed somewhat, but sizeable differences remain.... Blacks and Hispanics are twice as likely as Whites to be either inadequately housed or overcrowded even when they have similar financial resources.

It is clear that factors other than income are at least partially responsible for poor Hispanic housing conditions. One of these factors is housing discrimination. A 1979 HUD study in Dallas found that 42% of dark-skinned Mexican Americans and 16% of light-skinned Mexican Americans were given false information on the availability of rental units, and that the chances of dark-skinned and light-skinned Mexican Americans experiencing at least one instance of discrimination in a typical housing search were 95% and 65%, respectively. Studies in Houston, Texas; San Jose, California; and Denver, Colorado; have documented varying degrees of housing discrimination against Hispanics in these housing markets as well.

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National Council of La Raza

In addition, there is evidence of such discrimination in the Washington, D.C. metropolitan area. A preliminary telephone survey by the Lawyers Committee for Civil Rights Under Law found evidence of housing discrimination against persons with "Hispanic accents," as compared to persons without accents. With respect to the Arlandria complex, it is clear that the majority of those displaced are minorities; the vast majority of those who would replace them and thus benefit from the conversion are White.

The demographics of the Hispanic population suggest that a second form of discrimination -- the practice of imposing rental restrictions on families with children -- has a disproportionate impact on the Hispanic community. Hispanic households are both more likely to have children and likely to have more children than non-Hispanic households. One national study has estimated that only one-fourth of all rental units accept children without restrictions, which has led the Citizens Commission on Civil Rights to describe the problem of discrimination against families with children as a "growing crisis."

There are manifestations of this growing national crisis in the D.C. metropolitan area as well. The Arlandria Campaign estimates that 60% of the rental units in Alexandria either exclude or limit occupancy by children.

III. RECOMMENDED ACTION

A. Need for Action

I suggested earlier that the crisis in Arlandria was a microcosm of a national crisis. Nationally, Hispanics and other minorities are victims of severe housing deprivation; so it is in Arlandria. Nationally, Hispanics and other minorities are victims of long-term, demographic and economic trends which have created a severe shortage of affordable housing; so it is in Arlandria. Nationally, Hispanics and other minorities are disproportionately affected by displacement caused or supported by public policies; so it is in Arlandria. Nationally, Hispanics, minorities, and families with children are often denied affordable housing due to discrimination; so it is in Arlandria. And, nationally, all of these factors work together in a synergistic fashion to reduce even further the availablity of safe, decent and affordable housing; so it is in Arlandria.

Some might argue that the solutions to these problems lie exclusively at the national level, and require broad, sweeping, and expensive legislation. There is surely some truth to this proposition. We can and must renew the federal government's commitment to provide adequate housing for low- and moderate-income persons, after five years of retrenchment. We can and must pass legislation to strengthen the Fair Housing law. We can and must target existing resources, such as the Community Development Block Grant program, more effectively to low- and moderate-income persons. And, as Congress began through its enactment of major tax reform legislation last year, we can and must more equitably serve low- and moderate-income persons in the distribution of tax expenditures.

But even were all of these things to happen in this Congress, the homes of the Hispanic and other minority tenants of the Layton Estate -- and similarly situated families in communities all over this country -- would not be saved. Clearly, we cannot and must not wait for long-term, national solutions to address the crisis in affordable housing, both nationally and in Arlandria.

B. Recommendations

There are a number of creative, economically feasible alternatives to the widespread, massive displacement of Hispanics, other minorities, and low-income persons now imminent in Arlandria. First, the City of Alexandria and communities throughout the country must make a commitment to address the affordable housing crisis by preserving existing low-income housing, and ensuring an increasing supply

of such housing. To do so would not only be humane, but would also reflect the cities' own enlightened self-interest. Low- and moderate-income workers are needed in an increasingly service-oriented economy; their labor not only builds our buildings, produces, packages, and serves our food, and performs other necessary economic functions, but by its very nature enriches us all. For in their struggle to move up the economic ladder, low- and moderate-income families envigorate the entire nation and exemplify the American Dream.

Second, the City of Alexandria and other local communities should better utilize existing resources -- especially the Community Development Block Grant (CDBG) program -- to assist in developing affordable housing. It is a moral, if not a legal, imperative for communities whose share of block grant dollars is justified in large part by the number of low- and moderate-income residents they have to allocate such resources to activities that will benefit those residents.

Third, the City of Alexandria and other communities should establish policies, through zoning and other land use controls -- and eminent domain if necessary -- which explicitly require the preservation and production of an adequate supply of affordable housing. There is no need to encourage, facilitate, or subsidize upscale development: economic realities virtually guarantee an adequate supply of such housing, which already receives a disproportionate share of direct public subsidies and tax expenditures.

Fourth, the City of Alexandria and other communities should maximize the use of the low-income tax credit and other available tools to preserve and produce affordable housing. As other witnesses will demonstrate, there are economically viable methods of maintaining affordable rents in communities like Arlandria. If the will is there, then developers like McCormack, Baron and Associates, or the Enterprise Foundation, or any number of effective community-based development groups, can help find solutions.

We sincerely appreciate the opportunity to present our views, and we thank the Chairman for his unwavering support of low- and moderate-income people everywhere. As always, we stand ready to work with the Chairman and the Subcommittee on national issues of mutual interest. I would also add that we are prepared to do the same with the City of Alexandria and other local communities.

Subcommittee on Housing and Community Development
of the
Committee on Banking, Finance and Urban Affairs
U.S. House of Representatives
Congressman Henry Gonzalez, Chair
Arlandria Field Hearing
February 24, 1987
Grace Episcopal Church

TESTIMONY OF MRS. RENA BROWN

Good morning, my name is Rena Brown. I live at 3850 Florence Drive in the Dominion Gardens Complex. I have lived in this area since 1953 and in my present apartment for the last eight of those years. My children and grandchildren were all born and raised in this area. One of my daughters and her two children live with me. One of the children goes to the Charles Barrett Elementary School. It's convenient because he can walk to school with the other children in the neighborhood who go there. Another grandchild goes to George Washington High School. She takes the county school bus to school with all the other children in the neighborhood. We want to stay in our home. We don't want to move. As it is now, it takes the whole family's income to keep us living here. We can't afford to pay much more.

I helped start the Arlandria Community Campaign to Save Our Homes so we could preserve Dominion Gardens and the seven other complexes known as the Layton Estate as affordable housing for the current tenants living in Arlandria West. We all want to stay here. These are our homes and we are fighting to keep them.

Just 13 years ago Alexandria was a city known for providing affordable housing for all. Three quarters of its apartments were judged to be affordable. Today, only 10% or less of its once stable black community is left and now they are being forced out of the city. Many of us, including my own family, have been displaced before. My family will have to break up if we are displaced again because no apartments nearby will rent to us because of the strict limits on number of children and number of people who they let live in their apartments. Also, there is discrimination in the housing market here.

The City Council and the Mayor should be doing more to help us. I put my confidence in Mayor Moran by voting for him in the last election and I am asking him and the City Council to do whatever is necessary to save our homes. The City Council keeps saying that Alexandria has a low income housing problem. It has been in all the newspapers. They keep saying they don't know what to do about it. But they have the power to save our homes by exercising the power of eminent domain. The Council is seriously considering raising money to build a tunnel on West Street which would cost the city close to $100 million and is also considering using its power of eminent domain to flatten three buildings on Old Dominion Boulevard to make a parking lot. We have brought to the city a great plan which will save our homes. It's a plan which uses eminent domain if Artery refuses to sell to our developer. But when we ask them to use these powers to save the homes of hundreds of families they tell us they can't do it.

While the city is standing around doing nothing to help us, the conditions in our community are getting worse. Since Artery took over there is hardly any maintenance in the buildings and construction work is being done in buildings where families like mine are trying to live peaceably.

It makes me mad to know the city has the power to help us save our homes and keep our children in the schools they've been attending by exercising their power of eminent domain, and that they just won't use it.

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Testimony of Albert C. Eisenberg
Chairman, County Board
Arlington County, Virginia

Before the

U.S. House of Representatives Subcommittee on
Housing and Community Development
Committee on Banking and Urban Affairs

On the Subject of

"The Shortage of Affordable Rental Housing
in Northern Virginia"

Tuesday, February 24, 1987
Grace Episcopal Church
Alexandria, Virginia

Mr. Chairman and members of the Subcommittee, my name is Albert C. Eisenberg and it's an honor for me to appear today in my capacity as Chairman of the Arlington County Board. The County Board applauds your long-standing efforts to improve housing conditions for the nation's low-income people, and we appreciate the time you have taken today to come to Northern Virginia to consider, and, we hope, respond to the plight of Lee Gardens' tenants and the thousands more in our communities who cannot find a place to live they can afford.

I hope that in my testimony I can help the Subcommittee comprehend the enormity of this region's affordable housing crisis and the tragedy and hardship it is visiting on so very many people at Lee Gardens and elsewhere. I hope I can convey to you the deep frustration that local officials experience daily in struggling to relieve this situation. And I hope I can make it clear that despite Arlington's increasing commitments of local resources, the struggle is lost without the strong bond of partnership between government, at all levels, and the private sector, both profit and non-profit.

ARLINGTON COUNTY TODAY

Arlington is an affluent, urbanizing community of about 155,000 people, many of whom are newly arrived Asian and Hispanic immigrants. The County comprises only about 26 square miles, and has little or no vacant land, except near the County's several Metro subway stops, where redevelopment is taking place. We have 77,000 housing units. About half of them are apartments and condominiums, and many of the condos are renter-occupied.

HOUSING NEEDS

In a sense, Arlington County is a victim of its own success. Our enviable location and the small amount of developable land have driven up land and housing costs. As a result, we suffer a lack of affordable housing for people of modest incomes. While we enjoy full employment, people who work in service industries or at entry level jobs have no alternative but to accept unsuitable, expensive housing, or live someplace else. The lack of affordable housing ultimately means an economy troubled by spot labor shortages and a community diminished by a decline in cultural diversity.

Since 1972, over 12,000 apartments in Arlington, or 30 percent of the rental stock existing then, have converted to condominiums. Those condos remaining rental carry much higher rents. Redevelopment and substantial rehabilitation have removed an additional 1,700 units from the affordable housing stock, not counting the 960 units at Lee Gardens. Only a few hundred units, renting for as much as $1,000 a unit, have been built to replace those lost. Our rental vacancy rate of 1.4 percent is tantamount to a closed door on new rentals. For those who can find an apartment, rents and security deposits are high. Median rents in 1985 were $500 for a one-bedroom apartment and $800 for a three-bedroom unit, with security deposits to match.

As many as 10,000 low-income Arlington households pay excessive rents or, to a much lesser degree, live in substandard housing. A third of these households are elderly and two-thirds are families. About 1,200 households are waiting for Section 8 assistance, a wait that can stretch three years. In addition, like other communities, homelessness exists in Arlington, composed most frequently of displaced families, newly arrived laborers, mentally ill persons and battered women.

THE ARLINGTON RESPONSE

Arlington County has worked diligently to come to grips with its housing crisis in all its forms, committing increasing resources as Federal funds have diminished. Frankly, the problem is beyond our capacity to solve alone, and the loss of Federal funds combined with little assistance from the State has hurt Arlington County severely. Let me briefly describe what we are doing now for housing in general and for Lee Gardens in particular.

Arlington operates its own rental housing assistance program which serves about 600 elderly and family households at an annual cost of $700,000. It's an entitlement program, but its reach is limited because the assistance we provide can count as income for recipients of certain kinds of public assistance, reducing their benefits dollar for dollar.

Arlington supports three homeless shelters, most recently spending $330,000 for the acquisition and renovation of a facility to assist families and others for up to three months. Our zoning codes in areas of redevelopment encourage housing construction as a means of increasing overall supply. We actively participate in the Section 8, Community Development Block Grant, and rental rehabilitation programs. Arlington has three assisted apartment projects for the elderly; two built under the Section 8 new construction program, and one developed through Section 236. In addition, we have about 300 Section 8 moderate rehabilitation units, and another 1,000 units of Section 8 existing housing. About two-thirds of our Community Development Block Grant funds go for housing purposes, including the support of various group homes, and programs for apartment and single-family rehabilitation. We have also supplemented our Community Development Block Grant program with local funds, setting aside in our current budget $300,000 to compensate for last year's anticipated CDBG deferral, which thankfully the Congress averted. Our top legislative priority in the General Assembly this year is permission to create apartment preservation districts and establish a local infrastructure fund that can be used to induce apartment owners to renovate older apartments, retain them as rentals for 20 years, and set aside a portion of the projects for low-income persons. We have also used tax-exempt financing from the State and from the

Alexandria Housing Authority, a group spanning the broadest range of housing interests and dedicated to bringing the State into greater partnership with local governments and the private sector in meeting housing needs. All tolled, about three percent of our current budget goes directly for housing purposes -- $3 million from the County and $5.7 million from the Federal government.

We have suffered heavy losses of Federal funding, however, which have severely reduced our ability to help our ill-housed. The apartments for the elderly subsidized under the Section 8 and Section 236 programs could not be built today. The programs that built them were terminated. Our CDBG allocation has declined by a third since 1980, from $2.9 million to $1.9 million. We no longer receive Section 8 moderate rehabilitation units. Nor is the Section 312 rehabilitation loan program available to us. Tax-exempt financing was drastically reduced by the 1986 Tax Reform Act. In short, the tools we depended upon from the Federal government have been snatched from our hands, and we are ill-equipped to recreate them locally. The story is the same across the State. Virginia is receiving $100 million a year less than it did in 1980, according to figures prepared for the Northern Virginia Housing Coalition.

LEE GARDENS

Lee Gardens could not have happened at a worse time. While we have been able to combine a variety of local, Federal and private resources to prevent displacement in smaller scale rehabilitations in the past, the magnitude of the Lee Gardens rehabilitation, the sheer size of the project, and the very low-income character of the tenancy overwhelm us. Built between 1940 and 1950, the complex houses between 3,000 and 5,000 tenants, most of them very low-income. The buildings need substantial upgrading; kitchens and bathrooms are outmoded and even deteriorated; energy efficiency is poor; and the grounds and site are neglected. Post-rehabilitation rents will range from $600 to $850 a month, which is far beyond the reach of most current tenants. The rehabilitation is so extensive that the households must move, even if all units were to remain affordable. Unfortunately, thousands of people are going to be displaced into a market too tight to absorb them.

ASSISTANCE NEEDED

Despite the enormity of the problem and the difficulty of relieving it, Arlington County has joined with the Lee Gardens Interest Group and with the new owner of Lee Gardens, the Artery Corporation, to preserve as many units as we can for low-income persons and to ease the pain of relocation for those who must move. We do not fault the developer for purchasing and then renovating the units. The project desperately needs

rehabilitation. Leaving the project alone is not a prescription for its eventual decline into virtual uninhabitable condition.

The County and the Lee Gardens Interest Group have secured from Artery a relocation package that is probably the most generous ever achieved in Virginia. The package includes cash payments of up to $1,000 per household, direct relocation counseling, rental discounts, accommodation of families with school children, and other tangible assistance. In addition, we are working to preserve for low and moderate income households some 200 of the units. A partnership involving a non-profit housing corporation will be the most likely entity to secure these units. To accomplish the goal, we need 200 units of Section 8 moderate rehabilitation assistance from the Federal government. A total of 7,500 such units are available this fiscal year for discretionary distribution by the Secretary of HUD. To bring the rents within Section 8 maximums, additional sums from private, local and State sources totaling as much as $16 million are also being sought. Unless other assistance, as yet unknown, becomes available, we believe that 200 units is the most we can preserve. Without the Section 8 assistance it is unlikely that any preservation will occur. Therefore, any help that you and your Subcommittee, in combination with our Northern Virginia Congressional delegation, can render is deeply and greatly appreciated.

Unfortunately, the crisis at Lee Gardens is only the tip of a much larger iceberg looming dead ahead. A third of our rental stock, more than 10,000 garden apartments, were built before 1956 and need substantial upgrading. If 200 units are difficult to preserve, how can we possibly handle 10,000? We can't. It's like bailing out the sea with a spoon.

Mr. Chairman, we have a modern day Trail of Tears forming in Arlington as thousands of people are forced from their apartments. The Arlington County government, our community at-large, and displaced tenants look to you, the Congress, and State officials to join with us in helping our people leave this trail and obtain decent housing they can afford.

Thank you. I'm happy to respond to any questions you may pose.

TESTIMONY BY THE HONORABLE JAMES P. MORAN, JR.
MAYOR, CITY OF ALEXANDRIA, VIRGINIA
AT A FIELD HEARING OF THE U. S. HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
FEBRUARY 24, 1987

Representative Gonzalez and members of the Subcommittee, as Mayor of the City of Alexandria, I welcome you to our City and thank you for your concern about the critical shortage of affordable housing for our low-income residents.

The issue that brings us together today, the displacement of thousands of residents by the private market renovation of low-cost housing at Lee Gardens in Arlington and the Layton Estate in Alexandria's Arlandria West, is an example of the severe housing crisis facing urban areas throughout the nation. For Alexandria, the Arlandria area represents the largest single source of affordable housing in the City and this metropolitan area. Current rents at Dominion Gardens, which is now owned by The Artery Organization, are $400 plus electricity for a one-bedroom unit and $500 plus electricity for a two-bedroom unit. These rents will be raised by Artery, after the units are renovated, by 50 percent or more, and are expected to rise as high as $765 and $880 respectively, excluding utilities, by 1989.

Although Artery is offering reduced rents to current residents for the first year after renovation, all tenants will have to pay market rents once the first year ends. In order to pay the anticipated $880 market rent without exceeding 30% of income for housing and utilities, Arlandria families would have to earn more than $37,000 per year.

The primary cause of this phenomenon is a rapidly appreciating real estate market in the Washington, D.C. area, in addition to the fact that most of our rental housing was constructed after World War II. This housing has now exhausted its 40 year depreciable life. Maintenance costs become prohibitive and net after-tax income is not competitive with other investments for the current landlord. They thus sell the property to a new developer who can renew the tax depreciation cycle only if they substantially rehabilitate the apartment building. In addition, approximately 11% of Alexandria's rental housing has been lost since 1970, largely through condominium and other conversions and demolition.

Understanding the financial mechanics and causes of the problem, however, doesn't change the effect. Thousands of hard-working, good and productive people are going to be put out on the street, have their children removed from schools, and see their extended family and community torn apart. The tragedy of the current situation is compounded by the Reagan Administration's irresponsible retreat from what had been an intergovernmental effort to give these families the social and economic justice that ought to be a basic American right.

The issue here is one of social and economic justice. The question is where the responsibility lies. Because of the enormous costs involved in providing low- and moderate-cost housing, the primary responsibility always has and always will rest with the Federal government. The resources are there. The Federal income tax system is by far the most efficient and equitable method of raising public revenue. In addition, Federal foreign policy has played a part, and in some cases a major part, in the political disruption that has caused many of Arlandria's Hispanic residents to seek refuge in this country.

It is an outrage that, despite the considerable efforts of your Subcommittee, the Federal housing budget has been cut by over 70% since 1980, more than any other domestic program; whereas it is difficult to imagine a human need more basic than housing. What is needed at the Federal level today is the courage to acknowledge the problem and the will to do something about it.

Since 1949, Congress has been on record as being committed legislatively to the goal of a decent home and a suitable living environment for every American. For over a quarter of a century, Congressional funding of housing programs for low- and moderate-income families resulted in steady improvement in the development of housing available to lower-income families. Draconian cuts in low-income housing programs over the last several years constitute an abandonment by Congress of its 1949 goals of a decent home and a suitable living environment for every American.

- I strongly support the U. S. Conference of Mayors position that Federal housing policy should be based on the following principles:

  (1) Federal support for new construction and substantial rehabilitation of subsidized housing, particularly low rent public housing

  (2) Continuing Congressional commitment to increasing rental subsidies, with the goal of ensuring that every household eligible for assistance has the opportunity to receive it.

  (3) Congressional policies to ensure the continued availability of adequate capital for housing construction and rehabilitation in the private housing market.

  (4) Continued Congressional support for the Community Development Block Grant (CDBG) program, with funding levels that at least compensate for the increase in cities eligible for assistance since 1980.

I also believe that Congress should:

- make it unlawful to turn existing family housing into all-adult apartment complexes, except for the elderly;
- Reinstitute tax incentive programs that encourage participation by the private sector in the provision of low- and moderate-income housing;
- Increase the funding for Homeless Shelters such as is contained in HR1;
- Increase the funding for Project Self-Sufficiency.

- Finally, I think that Congress ought to follow the employment recommendations of the U. S. Conference of Mayors, which has called for a more direct jobs creation and training program that will put people to work at wages sufficient to afford decent housing.
  - Congress should also enact incentives for businesses to retain individuals they train as permanent employees at the conclusion of their training or work experience
  - All employment programs should be coupled with adequate Federal funding for English language training and child care.

THE PROBLEMS

Allow me to provide a brief overview of the types of problems facing Alexandria as we attempt to maintain affordable housing. I have also attached to my remarks a statement from the Northern Virginia Housing Coalition regarding housing needs on a statewide basis.

- Shortage of affordable rental housing for low- and moderate-income households

  Affordable housing for low- and moderate-income households is scarce in Alexandria because of extremely high housing costs and a low vacancy rate. Average rents in Alexandria range from $581 for a one-bedroom unit to $835 for a 3-bedroom unit. The income needed to afford these rents ranges from $20,000 to $30,000. At the same time, Alexandria's rental vacancy rate in 1986 was 1.7%. Approximately 40-45% of the households seeking relocation assistance have to move outside of the City to find affordable housing.

The cost of rent subsidies to address this problem would be enormous. We estimate that average annual rental subsidies of as much as $5,000 per household are needed to enable lower income persons to afford to live in Alexandria.

Many of the people who live in Arlandria West have low-paying jobs -- busboys, restaurant workers, cashiers, grocery clerks, hotel workers. Businesses rely upon these people, yet they pay them very low wages. Persons I've talked to earn as little as $800 per month, or $9,600 per year. If they paid no more than 30% of their income for rent (the Federal Section 8 standard), they could afford a monthly rent of $240. Only the Federal government has the resources needed to close the "affordability gap" (the difference between what the tenant can afford to pay and the market rent).

This example may be typical of what's to come based on studies showing that most new jobs being created are in the low-paying service sector. A study prepared last year for the Joint Economic Committee of Congress found that "Nearly three fifths of the net new employment generated between 1979 and 1985 was low wage, compared with less than one fifth during the preceding period (1973-1979)." The study defined low wage as under $7,400. By paying 30% of income for rent, these households could afford monthly rents of only $175. This is not possible in Alexandria or in most urban communities across the nation.

In effect, the availability of affordable housing through public assistance is subsidizing many important sectors of our economy. The business community ought to be the first in line urging the Federal government to respond to this list of housing needs.

The Arlandria Community Campaign to Save our Homes has, with the assistance of McCormack, Baron and Associates, developed a plan to acquire and preserve Dominion Gardens for the existing tenants. Based on this plan, the tenants have asked that the City Council take Dominion Gardens away from the Artery Organization by using its power of eminent domain.

The City Attorney has ruled that the City can use this power as long as the property is conveyed to a non-profit or limited profit group whose primary organizational purpose is the provision of low- and moderate-income housing.

The issue is not whether we have the power; rather, it is the circumstances under which this power should be used. We support the preservation of housing for low- and moderate-income households but not through the use of eminent domain.

Alexandria's record in the provision of low- and moderate-income housing is second to none:

- Since 1974 we have nearly tripled the number of publicly assisted housing units, from 1,127 then to 3,140 today.

- We have produced approximately $140 million in low- and moderate-income housing and community development projects.

- We have invested nearly $1.9 million in City and Community Development Block Grant funds for the acquisition and rehabilitation of Fayette Court, a 51-unit building slated to become the City's first limited equity cooperative. The rehabilitation of Fayette Court was completed last fall.

- The City recently awarded $1.6 million in CDBG funds to the Alexandria Redevelopment and Housing Authority to purchase 38 condominium units to be used as replacement housing for residents of the deteriorating Cameron Valley public housing development. This is one element of the City and Housing Authority's multifaceted approach to replacing all 264 units in the complex.

The issue here, however, is one of economics. The City cannot afford to assume financial responsibility for the development plan proposed by McCormack, Baron for Dominion Gardens. This is exactly what we would be doing if we declared eminent domain, since we have no assurance that the funds would be available to back up this action.

Furthermore, we believe the total costs of this project would be well in excess of $30,000,000, which is higher than estimated by McCormack, Baron, given the lost opportunity costs that Artery may have to be compensated for and the legal fees associated with obtaining the project through eminent domain.

A project of this magnitude should be the responsibility of the Federal government. To put this in perspective, the cost of this project is dwarfed by the cost of a B-1 bomber or one MX missile.

Shortage of affordable homeownership opportunities for low- and moderate-income households

Homebuyers have an equally hard time finding affordable housing in Alexandria. The average assessed value for a single family home in 1986 was $146,000. Even with mortgage assistance from the Virginia Housing Development Authority (VHDA), which currently provides mortgages at 8¼% for moderate-income homebuyers, the City has found that it takes an additional subsidy of $25,000 per household in order to enable moderate-income families to become homeowners.

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Cooperative ownership is also expensive. Although Fayette Court, the City's first limited equity cooperative, will provide 51 homeownership opportunities at a cost of roughly $39,000 per household, the project required a $1.9 million investment of City and CDBG funds, as I mentioned earlier.

- Homelessness

Of great concern is the increasing number of families with children that are homeless. Of 1,255 people served in FY 1986 by the City's Emergency Shelter Motel Program, which costs in excess of $100,000 per year and is one of several options for Alexandria's homeless population, 467, or more than one-third, were children. The City supports a variety of other programs for homeless persons including a transitional apartment program and furniture moving and storage assistance, and is establishing a new homeless shelter for up to 65 persons, but additional resources are needed.

- All-adult housing

Families with children (particularly female heads of households) are affected not only by the high cost of housing but also by the conversion of apartment units to all-adult complexes. Currently, 20% of Alexandria's apartment units prohibit children and another 73% restrict occupancy by children in some way. Our most recent attempt to prohibit conversions of rental apartments to all-adult use failed miserably in the Virginia General Assembly.

- An aging public housing stock

The City is committed to maintaining 1,150 units of publicly assisted housing, which includes all of the City's existing public housing stock (949 units); 445 of these public housing units were built before 1950. Two hundred and sixty-four units, located at Cameron Valley, are badly deteriorated and must be replaced by the Alexandria Redevelopment and Housing Authority. The Authority, however, has received Federal funding for only 85 replacement public housing units. The City has already given the Housing Authority $1.6 million to buy 38 condominium units. To finance the remaining replacement units, the Authority is in the process of selling the present site for mixed use private redevelopment. It will use the proceeds from the sale to provide capital costs and operating subsidies for the remaining replacement units, which will be constructed both on- and off-site.

- Section 8 and public housing waiting lists

  The waiting lists for public housing are currently closed to new applicants and the estimated waiting period is 2 to 3 years.

- Loss of Section 8 housing in Alexandria

  By the end of this decade, Section 8 subsidies for 247 units of publicly and privately managed housing will come up for renewal, giving private developers the option not to continue receiving the Section 8 subsidies. Section 8 subsidy contracts will reach their final expiration dates beginning in 1991, with at least 926 scheduled to end before the end of 2006. This represents 69% of the City's 1,352 new or rehabilitated Section 8 units. The City also has 383 Section 8 Certificates, which are now being renewed for only two years at a time.

- Loss of low-cost rental housing through private market action

  Since 1973, Alexandria has lost more than 7,000 rental units through demolition or conversion to condominiums, cooperatives, or non-residential uses. From 1985 through the end of 1987, substantial rehabilitation will affect roughly 2,000 apartment units. Under Virginia State law, localities cannot require a developer to provide relocation payments to tenants displaced by substantial rehabilitation.

  The City initiated its own voluntary conversion assistance policy which provides guidelines for voluntary relocation payments as well as legally-required notices to residents. The City then took a leadership role in getting the General Assembly to allow localities to enact legislation to make developers pay relocation payments and offer leases to the elderly for up to three years for condominium and cooperative conversions. Although the City now has such legislation, the benefits provided by developers are not always adequate given the high cost of housing in Alexandria.

  The City has continued to introduce State legislation to allow mandatory relocation payments for substantial rehabilitation, but has been unsuccessful so far. In addition, during the time of tremendous conversions of apartment units to condominiums, the City unsuccessfully sought legislation to control the number of apartment units that could convert to condominium in any one year.

- Loss of Federal tools to address housing problems

  Federal programs and tax incentives to encourage the production of low-income housing have all but vanished. The Section 8 New Construction and Substantial Rehabilitation programs are dead; the availability of tax-exempt financing has been severely reduced; and the regulations associated with the Federal Housing

Development Grant (HoDAG) program, for which Alexandria is not automatically eligible and would have to file a special needs application, have so far been perceived by Alexandria developers as too onerous. In addition, Alexandria's annual allocation under the Community Development Block Grant program, which we use almost exclusively for housing and housing-related purposes, has decreased by 44% since 1975 (from $1,735,000 to $966,000).

We see these cutbacks as the Federal government's virtual abandonment of its responsibility to ensure the availability of decent, safe, and affordable housing. We recognize that your Subcommittee has fought many of these reductions, and we call upon you now to redouble your efforts to restore adequate funding for housing and community development programs in the Federal budget. Local governments simply cannot address these problems alone.

SOLUTIONS

The solutions to the housing crisis will be found only when the responsibility is shared by the public (Federal, State and local) and the private sectors. I'd like to tell you now about the efforts the City of Alexandria is making in addition to those already mentioned and the efforts we hope the State will make. But the missing ingredient is the Federal government, who must play a much larger financial role if we at the local level are to be successful.

- Request for special allocation of rent subsidies for Arlandria West

  At the City's request, the Alexandria Redevelopment and Housing Authority applied to the U. S. Department of Housing and Urban Development last November for 265 Section 8 Existing Certificates and/or Housing Vouchers and 50 units of assisted housing under the Moderate Rehabilitation Program. These certificates/vouchers have been requested specifically for Arlandria West/Layton Estate residents who are being displaced. We are currently awaiting approval of those applications, and we urge you to support our request.

- Arlandria Emergency Relocation Fund

  City Council has also approved the use of $100,000 from its Housing Development Fund, which contains contributions from local developers, to create an Arlandria Emergency Relocation Fund. The Relocation Fund will be used to supplement relocation payments which the Arlandria developers agreed to make to current residents.

o State funding

We have joined forces with other Northern Virginia jurisdictions to form the Northern Virginia Housing Coalition. Initially, its two primary goals were to get the Virginia Housing Development Authority (VHDA) to set up a special pool of money from its reserve accounts to provide assistance for low- and moderate-income housing, and to secure a dedicated source of State revenue for housing. VHDA has responded by creating a $45 million fund for housing in addition to its bond funds. We are now working to have the Governor's Biennial Budget for 1988-90 include a sum of $100 million for housing. While these amounts of State funding are greatly needed, they are not sufficient to fill the gap created by the withdrawal of Federal funding.

ATTACHMENT

Northern Virginia Housing Coalition

AFFORDABLE HOUSING--THE NEED FOR ACTION

Northern Virginia Housing Coalition

The Northern Virginia Housing Coalition comprises diverse groups and individuals, including local elected officials, homebuilders, tenants, non-profit groups, businesspeople, and civic associations. Our members are intimately familiar with the problems of housing supply, housing quality and housing affordability which plague not only Northern Virginia but all areas of the Commonwealth.

The coalition has developed legislative proposals for submission to the General Assembly in 1987. These proposals are intended to bring about greater participation by the Commonwealth, through partnership with local governments and the private sector, in addressing our statewide housing crisis.

Affordable Housing-the Need for Action

The dream of decent, safe, and affordable shelter is eluding thousands of Virginians. In desperation homeless persons have taken to living in our streets, in our parks and campgrounds, in automobiles, and--for the lucky--in shelters provided by charities. Homelessness, however, is only one very visible symptom of our deeply rooted housing problems.

- o 79,000 Virginia households lack complete plumbing. Thousands more lack adequate electrical wiring and basic weatherization.
- o 85,000 additional affordable rental units are needed to provide for the 183,000 households with incomes below 50% of Virginia's median income.
- o 29,000 households are on waiting lists across the state for assisted rental housing.
- o 46% of income is the average amount Virginia's elderly and handicapped must pay for housing costs.
- o 83% of the households eligible by income for rental assistance received no assistance in 1981 when Federal programs were at their maximum.

The current bleak picture of housing conditions only looks bleaker in light of the drastic reductions in resources we face:

- o $112,000,000 per year has been lost to the state through cuts in Federal programs which finance housing: CDBG, 312 loans, UDAG, Public Housing Operating subsidies, Farmers Home 515 loans, Farmers Home 502 loans, 202 loans, HoDAG, and Rental Rehab.
- o 2,000 units per year have been lost to the state through cuts in Federal rent assistance programs for new construction and substantial rehab of rental units.
- o 500 units per year have been lost through cuts in Public Housing Development Funds.
- o $500,000,000 or 78% has been cut in the tax exempt bonding activity of the Virginia Housing Development Authority between 1986 and 1987.

The effects of our housing problems go well beyond startling statistics. The human suffering they cause takes many forms.

- An elderly woman was found nearly frozen to death in her unheated home on the Eastern Shore.
- Three to five thousand families in one Northern Virginia rental community must leave not only their homes but also their jobs and schools when their buildings are renovated for an upscale market.
- An extended family in Southwestern Virginia suffers threats to health and even life in a home with no plumbing, or clean water.
- A mother in the State's capitol city must bring her children with her to live in a homeless shelter .

Housing problems undermine our economic stability.

- National companiess have left our state and gone to locations where their employees can find affordable housing.
- Other critical businesses such as builders, groceries, and hotels must pay to transport employees to their work.
- Tax payers feel the strain of building new schools, roads and public transportation for families moving farther and farther away from their jobs to find affordable housing.

Housing problems tear at the fabric of our social structure.

- Elderly and disabled persons are forced out of communities where they have families and support systems that can enable them to maintain productive lives.
- Families undergo emotional stress when forced to choose between adequate housing and other necessities of life.
- Children and parents are daily separated by ever increasing distance and time as parents go ever increasing distances to work.

Northern Virginia Housing Coalition members are acutely aware of the devastating effect housing problems are having throughout the Commonwealth. Because the federal government has so dramatically abandoned its traditional responsibility in housing assistance, the state must now take the leadership and join with localities and private groups to fill the gaps which have been created.

We believe that the legislative proposals we submit provide a sound basis for beginning such a partnership.

TESTIMONY BY Victor Pardi on behalf of the Lee Gardens tenants
as translated from Spanish.
Brief background:

Good morning, Mr. Chairman. Thank-you for the opportunity to appear before you and talk about the plight of the Lee Gardens tenants.

My name is Victor Pardi, and I live with my family in Lee Gardens. In a little less than 90 days, a social tragedy will occur because 160 families will be forced to leave their apartments in Lee Gardens due to purchase of the complex by an insensitive economic monster. The apartments will be restored and higher rent will be charged, with the consequence that only people of higher income will be able to pay.

Meanwhile, the 160 families will be adversely affected. These families represent nearly 1,000 human beings, from adults to babies. And this is only the beginning, because in a very short time, at least 2,000 other residents of Lee Gardens will experience the same fate.

The law of the state of Virginia says that when the tenants receive the notice of eviction, they have just 120 days to leave their apartments, under penalty of police intervention if they fail to comply.

And now we are concerned about all the possible complications that our people are going to experience in these 90 days.

In the first place, our children are in the middle of the school year and will suffer because they will be obliged to leave a familiar environment to go to a new environment, a new neighborhood, to make new friends, to follow new rules and, perhaps, even different customs. Our children have already experienced a strong psychological change when they were brought from our countries to what is a new and strange world for them, where at first, they were unable to communicate because they did not know the language. They have experienced a terrible change to live in a different system with almost

totally different customs.

Congressmen, our children are accustomed to this system of life and to the neighborhood. After a long process of adaptation, they are once again being asked to undergo large change. This, we definitely will not permit.

Another important aspect relating to the adults that live in Lee Gardens is that we moved here because the rent is relatively low compared to the other places in the area and because it is near the places where we work; that permits us to save money on transportation. But in 90 days, we will have to move somewhere farther away and most of us do not have or own transportation; consequently, we will have to spend more money to get to work--money we do not have.

Most of the Hispanic population has two full-time jobs--we are talking about people who work between 12 and 16 hours each day. Our salary ranges from between $3.75 and $5 per hour. This money is not sufficient to pay the rent; therefore, we must have second jobs just to pay for the rent, transportation, the telephone, and other necessities.

The data gathered in a survey of Lee Gardens shows that the majority of people are of Hispanic origin. There also exists a good percentage of American citizens, others of Asiatic origin, and also people of the Negro race. We do not demand Lee Gardens only for the Hispanics; we demand it for people of low income, and we won't accept, under any circumstances, this type of discrimination where we are thrown out because of our races and our poverty.

Many people will then ask: Why are these people earning so little money? And if they are enduring so much suffering, why don't they go back to their countries? Naturally, these questions have answers: Our people earn so little money because they have terrible limitations with the language. They can't study English, because the time they would use to study, they dedicate to their work. We have found many at Lee Gardens who wish to advance in the future, and we understand how tired they are because they work then go to classes

at night.

In no instance should you think that we, the Hispanics, are inferior to others and for that reason can discriminate against us as if we were objects. In Lee Gardens alone, we have accountants, doctors, lawyers, veternarians, architects, and engineers who only because of the lack of language skills, are working in restaurants, bakeries, as construction workers, as house and office cleaners, waiting in hope that someday soon, their luck will change. We sell our careers and our lives for a ridiculous price because we have no other choice. And do you know why we cannot return to our countries? Simply because in our countries, there is social and economic conflict, people are dying at every instant, and the governments only pretend to change the economic system to something different. The only thing to do is to flee.

The latest survey of Lee Gardens shows that a large percentage of the population comes from Central American countries. Some other families have come from South America, Asia, and Africa. It is simply impossible for these people to return to their countries at this time.

But the survey also shows us that there are some families, especially Americans, who have lived in Lee Gardens for as long as 30 years. Many of them have given birth and raised their children there, and some have seen the deaths of their parents and their wives or husbands. Now these people are elderly, with fixed incomes; therefore, it is impossible for them to have their own homes, first because of their age, and secondly, because of their incomes. This is the worst situation of all because they are the same as us who are unable to pay rent higher than $500 per month.

We know, on the other hand, that Artery receives incomes of $400,000 per month from Lee Gardens alone, without taking into consideration their other buildings in Maryland, Washington, D.C. and other places. We also know from other sources, that this company has received a net profit of $65-million in

1986. We know that they have hundreds of millions of dollars in investments; consequently, this company is not only an economic monster, but is insensitive to the pains of the poor. How can it be possible that they still want more at the cost of making the population in Lee Gardens suffer?

We don't pretend we are equals with Artery in a fight because that would be similar to David against Goliath, where we are the most feeble and powerless.

It is for this reason that we come to the Congress, to denounce this violation of our human rights and to ask for your maximum cooperation in this grave problem that we are experiencing. We don't want to leave Lee Gardens, we cannot, because it would mean a lot of money for us. Furthermore, I would like to emphasize that we will not move from Lee Gardens. It is for these reasons that we ask your help in trying to buy these buildings to be dedicated to families of low incomes.

We wish the fight to become one of Goliath vs. Goliath, that is to say the Congress against Artery and, in general, against all the companies that get rich at the sacrifice, suffering, and tears of the poor and possessionless. We would like, Congressmen, that you put an end to the enslavery caused by ambition. We don't want it to be possible in a country as rich and powerful as this one for it to be permissible to step on sacred human rights. How long will the laws favor the rich and powerful? How long will the tenants have no rights? How long will we have no laws to protect us?

Therefore, we ask also that the housing committee of Congress introduce modifications to the laws, so that they favor us in some manner.

We are here, Congressman Gonzalez, because we know of your sensitivity and because we want to place in your hands our total confidence. We think that you can persuade Artery to anull the eviction notices, postponing mass dislocation of

the tenants of Lee Gardens until we can conclude negotiations with Artery on purchase of Lee Gardens units for low income restoration.
We are sure that you will help us, and we can see in the distance the light of justice.

Thank-you.

Sincerely,

Victor Pardi

Additional Material Submitted for Inclusion in the Record

WRITTEN TESTIMONY OF THE ARTERY ORGANIZATION, INC.

U.S. HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
OF THE
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

FEBRUARY 24, 1987
GRACE EPISCOPAL CHURCH, ALEXANDRIA, VIRGINIA

We appreciate this opportunity to testify.

The federal government's abdication of its responsibility to support low income housing has created a national crisis. We are working with local and state officials, community leaders and tenants to mitigate the effect of this crisis on Lee Gardens and Dominion Gardens tenants. We need federal assistance to provide low income housing on the property. We applaud the Committee's effort to make federal assistance available.

The Artery Organization has built affordable rental housing and starter homes in the Washington area for nearly 30 years. Almost all of our apartment complexes contain low or moderate income units. Artery has actively participated in government programs to provide low and moderate income apartments. For example, we were the first in the area to utilize the Section 221(d)(4) program on a large scale to build moderate housing. We also own approximately 1800 subsidized low and moderate income units.

We are public spirited and strive to live up to our corporate creed of "providing customers with fair treatment, service, quality and value." We build and operate apartments for the long term. With one exception, we have never sold an apartment property. We believe that value is created through sound management and maintenance, and ours are among the best managed and maintained affordable apartments in the area.

One way that we provide affordable rental housing is through purchasing and rehabilitating badly deteriorated apartments. We have always done this with sensitivity. We have been able to provide low income units at many of our rehabilitated properties because we have been able to rehabilitate in partnership with public authorities, especially through direct Section 8 subsidies and favorable tax exempt financing provided by the federal government. Our most recent rehabilitation, an apartment complex in the Chillum Heights area of Prince George's County, was featured last week in the Washington Post. (A copy of the article is attached.)

We are presently restoring Lee Gardens and Dominion Gardens. Government officials, community leaders and tenants agree with us that the properties need major renovation. In many respects, they can be described as an "accident waiting to happen." If the properties were not renovated, they would soon be uninhabitable. At that point, government authorities would be forced to close the properties and all tenants would have to leave.

Our rehabilitation of these properties is the best result for the community. We are doing what is necessary: Restoring these properties for the long term to the function intended when they were built 40 years ago - safe, affordable, rental housing. We are not allowing the properties to deteriorate further, converting them to condominiums, redeveloping the properties for commercial uses, or raising rents to exorbitant levels. We are making every effort to obtain subsidies for low income housing on the properties. Like our other restored properties, we believe that Lee Gardens and Dominion Gardens will be successful because they will meet the great need for well managed and maintained affordable rental housing in Arlington and Alexandria.

The difference between these properties and others we have rehabilitated is that our ability to provide low income housing and thus minimize displacement of existing tenants is jeopardized by the lack of federal programs. Direct federal assistance programs (Section 8) are being phased out. The availability of favorable tax-exempt financing for low and moderate income rental properties has been greatly restricted. Federal tax incentives which made the production of low income housing economically feasible have been repealed. This withdrawal of federal support for low income housing has created a deplorable situation which is being repeated in cities across the nation.

We are doing even more than we have done in the past to help existing tenants because of the lack of federal participation. We provide an extensive, individualized tenant assistance program which was recently described in the attached Washington Post editorial as the most generous ever offered in Virginia. We have trained, bilingual counselors on the properties who meet one-to-one with each tenant to see whether it is possible to stay on the property or whether relocation is necessary. For those who can stay, we offer reduced rents. For those who leave, we pay subsidies up to $1,000.00 per household. We are committed to working with tenants until alternatives have been found. At Lee Gardens, we are making special accommodations so that tenants with children can stay until after the school year. We estimate the total cost of these voluntary programs to be over $1 million.

We are confident that our relocation effort will continue to be successful. We have always been able to find alternatives for tenants in our prior rehabilitations. For the first phase of Dominion Gardens, where construction is scheduled to begin April 1, housing on or off the property has already been identified for all the first phase of 70 affected households.

While we are proud of our rent reduction and relocation program, we recognize that relocation is a hardship for some of the tenants. We want to provide low income housing so that tenants can stay on the properties. We are working in concert with local officials, tenants and community leaders to obtain a

share of the few federal subsidies available. There are not nearly enough subsidies to meet the needs of low income people across the nation. We support the Subcommittee's efforts to mitigate this national housing crisis.

Change at Chillum Heights

Renovation Brings Displacement Concerns

By Sue Anne Pressley
Washington Post Staff Writer

Things have changed at Chillum Heights, a sprawling rental complex described two years ago by Prince George's County officials as the worst in the county.

At the time, it was a wasteland of broken windows, collapsed ceilings and strewn trash, a home for rats, roaches, drug dealers and at least 3,000 residents who had nowhere else to go.

Now the once-squat, flat-roofed buildings have been transformed with tan paint, bay windows and dark green awnings. About half of the 760 units have been redone, and plans are to complete the work by summer. They have been gutted, enlarged and outfitted with dishwashers and "European-styled cabinets." The new community center will have a director of special activities, a Sunday brunch special, a wide-screen television and an exercise room with a Jacuzzi.

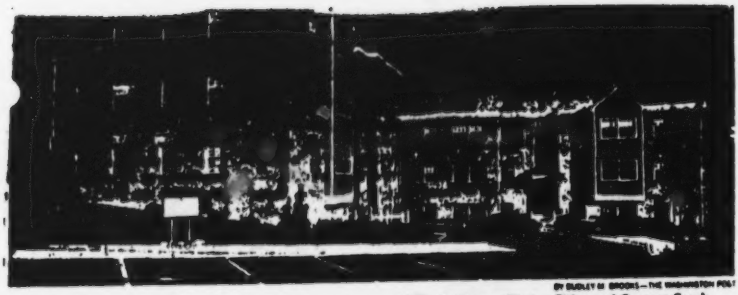
But perhaps one of the most telling details is the change in the name. Chillum Heights, which used to symbolize the decline of urban rental housing inside the Capital Beltway, now goes by the idyllic Timber Ridge and Cypress Creek.

"I guess whenever you see cars like Mercedes and Audis in the parking lot, you know there's been a great change," said Wanda Ricks, 31, the head of the tenants association and one of about 85 renters who stayed on when the complex in Chillum was transformed.

But the story of Chillum Heights reflects the delicate problems facing Prince George's as the county upgrades its blighted areas while.

See APARTMENTS, A11, Col. 1

Washington Post; Monday, February 16, 1987; Page A1



BY DUDLEY M. BROOKS—THE WASHINGTON POST

About half the 780 units at Chillum Heights have been renovated for what is now Timber Ridge and Cypress Creek.

Apartment Renovation Stirs Concerns

APARTMENTS, From A1

still trying to serve its low-income residents.

The renovations, while welcome to many, have meant a sharp shift in the resident population. The hundreds of Southeast Asian refugees who crowded the apartments have been scattered to Laotian and Cambodian communities in Philadelphia and Silver Spring and, to a lesser extent, to small apartment complexes in the Hyattsville area such as Hamilton Gardens.

The new residents are predominantly black professionals—lawyers, pharmacists, federal workers—with average household incomes of about $32,000 a year, property manager Howard Murphy said. There are few children among the new tenants, he said.

New rentals had been halted there by county officials two years ago. The 30-year-old complex, owned by a New York City businessman, had deteriorated with poor management and maintenance, county officials said, and 250 county housing code violations were cited.

When the Artery Organization of Bethesda showed an interest in buying the property, the county council approved an application for $42 million in tax-exempt financing on the firm's behalf.

Since last spring, Artery has spent more than $30 million on renovations at the complex, Vice President Daniel Mackesey said last week. The development firm is involved in a controversy that has echoes of the Chillum situation—the possible displacement of low-income residents at its recently purchased Lee Gardens apartments in Arlington.

At the Hyattsville complex, no one denies that there have been vast improvements.

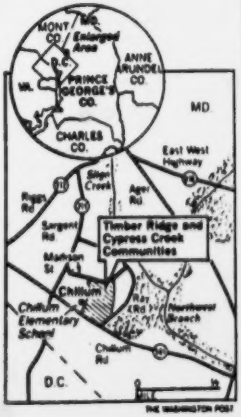
"Improving Chillum Heights has improved the entire surrounding community," said Ricarda Jones, deputy director of the county housing and community development department. "It's not an example of gentrification. It's just really nice now, and people are proud to be there."

With the improvements, the rents have risen. At old Chillum Heights, a two-bedroom apartment rented for $350 a month including utilities; at Timber Ridge, a two-bedroom, two-bath unit goes for $675, utilities extra. Most of the families who have stayed on did so only because they qualified for federal rent subsidies, said Ricks of the tenants association.

"You can think both ways about what has happened at Chillum Heights," said Hang Nguyen, director of refugee services for Associated Catholic Charities, which worked with county officials to relocate the Southeast Asian families.

"It's good that it was renovated. It brings more value to the community," she said. "On the sad side, many people were removed from the place, and how you feel about that depends on how you feel about the plight of refugees and other newcomers in the community. It's very bad there's not enough affordable housing in the area."

Ricks, a mother of two who works as an administrative assistant, agreed. "To say I don't like what has happened here would be an absolute lie," she said. "Of course, I love the improvements—the brand new kitchen, the dishwasher, the garbage disposal. The crime has gone down; it's all better. It just seems like there's less and less for the working poor."



THE WASHINGTON POST

Meanwhile, the renovations continue. A grand opening is planned for April, and advertisements for the complex have already appeared.

"When you join our irresistible community," one ad informs prospective tenants, "you become an automatic member of the hottest life style in the Washington area."

Such glamor was not the aim of Emma and Vincent Fon, two new residents. The Fons, who are natives of Cameroon, attend college in the District and chose Timber Ridge and Cypress Creek because they liked the location—close but not in the city—and because they liked the new kitchen in their unit.

They had heard, they said, of Chillum Heights' past.

"Everybody says it was awful," Emma Fon said, looking around at the newly landscaped grounds. "But not anymore."

FROM THE WASHINGTON POST EDITORIAL PAGE THURSDAY, FEBRUARY 19, 1987

Saving Apartments for the Poor

ABOUT 3,000 low-income tenants in Arlington County's Lee Gardens apartments could be displaced because the complex has been sold to developers who want to refurbish it and raise the rents. The developers' only legal obligation to the tenants is to give them 120 days to move out. But the Arlington County government and the developers seem to be making a good-faith effort to recover some of the apartments for current tenants and to help the rest find other homes.

The developer, the Artery Organization, has agreed to sell back "at least 20 percent" of the 961 units so they can be set aside for current tenants, says Arlington County Board Chairman Albert C. Eisenberg. Arlington County can't purchase those units directly because it has no housing authority. But it can participate by giving funds in a partnership to a non-profit housing group. Mr. Eisenberg says the county has $500,000 that a group called the Arlington Housing Corp. can use. More county funds might be available. A similar arrangement was used to purchase another 200-unit complex in Arlington not long ago. Mr. Eisenberg also said that the county will appeal to the state's Housing Development Authority for some of its $45 million reserve fund, and a request will be made for federal funds.

Artery has committed $800,000 for a tenant relocation plan. It won't help everyone, but it is the largest sum of money ever set aside in this way in the state. Relocation funds of up to $1,000 will be given to the families, along with help in finding new apartments, the developer says. There will be rent breaks of up to $125 a month for a full year and rent discounts for some of the tenants who want to come back when renovations are complete.

Low-income families such as the predominantly Hispanic Lee Gardens tenants should not have to bear the entire burden of real estate transactions that snatch their apartments out from under them. At the very least, local governments should help. Arlington County seems humanely to be doing just that.

Subcommittee on Housing and Community Development
of the
Committee on Banking, Finance and Urban Affairs
U.S. House of Representatives
Congressman Henry Gonzalez, Chairman
Arlandria Field Hearing
February 24, 1987
Grace Episcopal Church

To Members of the Housing Subcommittee:

I write to you with a heavy heart, and hoping that something is done to help the homeless, the poor, the minorities of the Arlandria Community and this country.

I have been a resident of the Bruce Street Apartments for a period of five years, and now, because the city of Alexandria wishes to beautify further, we, the tenants, have to move out of our neighborhood to make way for progress.

I find this very unfortunate and discriminatory. Affordable housing in the city of Alexandria is non-existent, and the poor like myself have no place to go. At the present time I work with the Federal Aviation Administration at National Airport, but when I have my notice to move, I have nowhere to go. I will probably be forced to resign from my position; because if I do find an apartment which I can afford, it would probably be miles and miles away from my place of employment and it would take endless hours and much more money to commute, which I cannot afford.

Is this justice? I say no. Am I going to join the ranks of the homeless? I hope not, because being an American citizen in good standing in my country and my community, I still believe that my rights can be protected by our Constitution, by our elected officials.

(continued)

Subcommittee on Housing and Community Development
of the
Committee on Banking, Finance and Urban Affairs
U.S. House of Representatives
Congressman Henry Gonzalez, Chairman
Arlandria Field Hearing
February 24, 1987
Grace Episcopal Church

This crooked road that the poor are being forced to follow is not and should not be the road that democracy allows. We have the right to fair housing and the right to choose where we find it convenient to live. Why is my country allowing rich developers to come into poor neighborhoods and displace thousands upon thousands of poor and hard-working people?

Please Messrs. Congressmen and Congresswomen, won't you lend us an ear and hear our cry for justice and fair housing? You all can be instrumental in not allowing our displacement to take effect. Laws can be enacted to protect us somehow. Can you all see how much we are suffering, and will suffer, once we are forced out of our apartments one more time? I have faith in God and my country, and now I place that trust and faith in your hearts and in your eyes if you take a look around our neighborhood. Please, please help us to keep our apartments. I would die of sadness and disappointment if, in the near future, I find myself sleeping in some bench in a park or somewhere in an alley. I still have pride in my country. Don't let me and thousands of others be forced out of our homes.

Josie Ohlbaum

Subcommittee on Housing and Community Development
of the
Committee on Banking, Finance and Urban Affairs
U.S. House of Representatives
Congressman Henry Gonzalez, Chairman
Arlandria Field Hearing
February 24, 1987
Grace Episcopal Church

My husband and I are two tenants in the Bruce Street Apartment that are being displaced as a consequence of renovation in this area. I find it very sad that we, the poor people in this country, are so often discriminated against; in this instance to make way for rich folks" greed.

In this area, the majority of the residents are poor Hispanics and Blacks. We really have nowhere to go. We have been looking for other affordable accommodations, and after a month have found none. This is the case of a lot of us, and we fear we will be thrown out onto the streets once our 120 days to move out expire if we don't find anything else. I am at a loss to understand why this great nation, which spends billions in defense, cannot set aside, or at least enact laws, to protect the poor.

I beg you, members of Congress, to come to our aid before we find ourselves destitute. We are people of humble beginnings, yet we want to contribute whatever we can to society in the way of our services in a market that finds it very easy to treat us bad and reward us with meager wages. We do the work others do not want, we sustain injuries to our persons in the midst of our labor, and now we are told to go someplace else. It is just not fair; in fact, it is downright inhumane.

I make this appeal from the bottom of my heart: Help the

(continued)

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poor people in Arlandria keep their homes. You have the power.

Make democracy work for all; not just a few.

Dioselina Gomez

Subcommittee on Housing and Community Development
of the
Committee on Banking, Finance and Urban Affairs
U.S. House of Representatives
Congressman Henry Gonzalez, Chairman
Arlandria Field Hearing
February 24, 1987
Grace Episcopal Church

I live at 3911 Bruce Street, and am one of the many people that will soon be displaced. I share the apartment with others because I cannot pay the high rent of apartments here in Virginia. Once I am given the 120 day notice, I will have no place to go, and that scares me.

When I came to this country from El Salvador, I had high hopes of making my dreams come true, but since my arrival I find that minorities are always discriminated against. I have two part-time jobs to make ends meet. One is at night. If I am forced to move far away from this area, I would not be able to find transportation, and the fare I pay would increase, or I might not find any transportation at the time I get out of work.

The majority of the tenants of this community are going through very much the same hardships as me, and now we are told to get out because this area will be renovated so that well-to-do people can move in. I have nowhere to go, no place to turn. I can't even go back to my country, and everywhere I look the picture looks grim.

Please help the poor of this community stay in our present apartments. Don't allow the wealthy to keep reaping profits at our expense. If this is the land of opportunity, I would like at least the opportunity to have a roof over my head and to work even at the low salaries we poor get paid, as opposed to non-minorities who get more for the same amount of work or less.

Humberto Marcial Lopez

Subcommittee on Housing and Community Development
of the
Committee on Banking, Finance and Urban Affairs
U.S. House of Representatives
Congressman Henry Gonzalez, Chairman
Arlandria Field Hearing
February 24, 1987
Grace Episcopal Church

To Members of Congress:

I am one of many tenants forced out of my place of living because I am poor and cannot afford to pay a higher rent. Arlandria poor people are thrown out of their apartments simply because they are mainly poor Hispanic and Black minorities who earn meager wages to live on.

We all trust that you, the members of Congress on the Housing Subcommittee, can see our plight and do something to save us from becoming "Street People". As human beings, we are hurt that our rights to fair housing is being denied. The gentrification of poor neighborhoods throughout Virginia and even in our nation's capital is appalling. We now have no place to go, and the shelters are full of other unfortunates like myself. If something is not done soon, many individuals will go out on the street. Won't you help us?

Isrrael Morales

The low-income tenants of Arlandria are being displaced from their homes because no-one cares enough to stop the housing discrimination against Hispanics and Blacks.

The City officials of Alexandria have turned their heads away and have allowed rich developers to buy the properties and throw us out.

This picture is the same all over. Low-income communties are being phased out and replaced by "Yuppy ones."

Our only hope and prayer is that members of Congress in the Housing Committee will see the injustice and do something to stop the gentrification of the low income neighborhoods. If something is not done soon, we will all find ourselves out in the streets. Our children deserve better. America can do better, please help us see the light.

Pedro Hernandez
Duke St. Apts.

I think that it is very important that the Authorities see the Arlandria case more closely because there are many families that at this moment are being displaced because their salaries are so low that they cannot afford the high rents imposed by the developers. They say they are remodeling and the buildings catch on fire as happened on Bruce Street the week of February 8th.

I think the new owners need to undertake a course in human relations to learn how not to discriminate against Hispanics and Blacks, people with the same feelings and with minimal economic resources.

ALBA DONES
3911 Bruce Street

To Members of Congress Housing Sub-Committee:

My family and I will soon lose our home and we are devastated. We have not been able to get another apartment with our meager wages. Affordable housing in NothernVirginia is very scarce and the discrimination against Hispanics and Blacks make the situation even worse.

I don't sleep at night thinking what will happen to me and my family when our 120 days are up. Are we going to end up in the street, or will we have to return to our country where living conditions are not any better.?

I am a very hard working person and I do all I can to provide for my family but if we don't have a roof above our heads, there is very little that I can do.

I hope the members of Congress can see our misery and come to our help, otherwise the poor of Arlandria like myself will become outcasts of society through no fault of our own. Our only crime it seems, is our poverty. Please do something to help us.

HUMBERTO LOPEZ.
BRUCE ST.

National Capital Area Region
THE NATIONAL CONFERENCE OF CHRISTIANS AND JEWS, INC.
302 Anacostia Professional Building • 2041 Martin Luther King, Jr. Avenue, S.E.
Washington, D.C. 20020-7024 • Phone: 202/678-9400

February 18, 1987

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The Honorable Henry Gonzales, Chairman
The Sub Committee on Housing and Community Development
The Committee on Banking, Finance and Urban Affairs
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Gonzales:

Since June of last year, this organization's lay leaders and staff have devoted thousands of hours in efforts to develop programs to assist the approximately ten thousand low income, minority persons who will be displaced because of the renovation of the Layton estate in Alexandria and Lee Gardens in Arlington. These persons will be displaced at a time when there is virtually no relocation low income housing available in the Metropolitan Washington area.

We have convened a series of meetings attended by leaders from more than fifty Alexandria organizations, and have regularly been involved in community meetings of the Lee Gardens Interest Group in Arlington. Our efforts have been directed toward increasing the capability of these tenants to purchase their current housing, outreach and information programs.

The fact that the federal government has reduced housing assistance programs by more than 60% during the past six years has made it almost impossible to assist tenants in efforts to retain their present housing. We have found state and local governments to be cooperative, but without the assistance of the federal government, we will have lost practically every possibility for helping these good citizens to retain safe, decent, sanitary housing which is affordable to them.

Therefore, Congressman, we are asking you and your Committee to again institute federal programs, including section 8 programs, designed to assist low income families. Your intervention will be critical to the lives of those who live in Lee Gardens and Dominion Gardens, and thousands more like them elsewhere.

Thank you in advance for your assistance. Every good wish.

Sincerely,

DONALD F. SULLIVAN
Executive Director

DFS/kat

The National Conference of Christians and Jews is a civic organization, engaged in programs designed to resolve urgent intergroup relations problems, with a view to securing justice and equal opportunity for all. NCCJ's operations in the National Capital Area Region include programs concerned with intercultural relations, equal employment opportunity, community relations and the administration of human relations projects, and a number of efforts designed to build positive and meaningful relations between the diverse groups which comprise the Washington metropolitan area. NCCJ is supported by bequests and contributions which are tax deductible.
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Alexandria Church of God

2912 King Street • Alexandria, VA 22302 • Phone (703) 548-5084

Bryan S. Webber, Pastor
Phone (703) 971-7477

February 17, 1987

US House of Representatives
Congressman Chairman Henry Gonzales
Subcommittee on Housing and Community Development
Community For Banking Finance and Urban Affairs

Dear Congressman Gonzales:

Subject: Arlandria Hearing February 24, 1987

The community we serve as a church involves people from all walks of life. Some of the less fortunate are those of the Arlandria area. With this in mind, the Alexandria Church of God pledged and is assisting in developing this community in spiritual matters as well as material needs. It has been a privilege to supply food, clothes and to conduct a weekly class to teach English to the Spanish speaking.

We feel that the present intent to dissolve this community will be devastating. A community is built with people in good faith and with character. To see this torn down will carry an emotional and psychological impact that will have to be dwelt with in years to come as well as the present. The fear of uncertainty is horrific and carries a mental strain that must be accounted for with every person affected.

The Alexandria Church of God would like to continue their efforts in this most vital area of our community. We appeal to you Congressman Gonzales and the Subcommittee on Housing and Community Developement to please give consideration to a community of people that are reaching out to be identified in the development of a community with working people that one day will cause everyone to be proud of the accomplishment where given the chance in life that is deserving.

Sincerely,

Bryan S. Webber

Bryan S. Webber

BSW/lc

TESTIMONY SUBMITTED TO THE
SUBCOMMITTEE OF HOUSING AND COMMUNITY DEVELOPMENT OF THE
COMMITTEE OF BANKING, FINANCE AND URBAN AFFAIRS OF THE
UNITED STATES HOUSE OF REPRESENTATIVES,
CONGRESSMAN HENRY GONZALEZ, CHAIR

Submitted by Catholic Charities of the Diocese of Arlington
Rev. Gerard Creedon, MSW, Executive Director
at the Alexandria Field Hearing, February 24, 1987, Grace Episcopal Church

We are presenting testimony this morning on behalf of the residents of Northern Virginia, particularly those in the Dominion Gardens and Lee Gardens apartment complexes. We say that we are testifying on behalf of all the residents of Northern Virginia, because, as an agency which provides a wide variety of social services to people in need throughout the Northern half of Virginia, we see that the housing crisis extends beyond the scope of the displacement in Lee and Dominion Gardens.

From the increasing number of families who come to our shelter, Christ House in Alexandria, to the growing difficulties experienced by refugees we serve who seek shelter in this "land of opportunity," the various departments of Catholic Charities find themselves strained to provide assistance all who lack decent affordable housing. From our contacts with the parishes and with other community organizations, it is apparent to us that the social problems which result from a lack of affordable housing will certainly worsen, especially as tenants are evicted from units scheduled to be sold and renovated in the Fairfax-Falls Church area and other regions in North Virginia.

Therefore we feel it is necessary not only to provide assistance to those who suffer from displacement, but also to advocate aggressively for significantly greater effort on the part of the federal, state and local government as well as the private sector in the preservation of a diversified housing stock in Northern Virginia. A diversified housing stock is needed to preserve a diversified community, which in turn is necessary to provide a pool of potential employees for the thousands of public and private service jobs in this area. Everyone in the area benefits when these job positions--in hotels, offices and construction sites--are filled. Everyone suffers when these positions go unfilled because potential service employees cannot afford to live here.

To help create the atmosphere for constructive change in the Northern Virginia housing situation, we put housing education and advocacy at the top of our agenda for outreach to the parishes and political jurisdictions. Just two weeks ago, Catholic Charities sponsored a well attended seminar on the housing crisis. Most of the over 100 people who attended had relatively secure housing conditions, yet they were deeply disturbed by the housing crisis and frustrated by the seeming inevitability of the renovation and displacement. We hope to form a network of housing advocates which will give concerned people constructive opportunities for assisting people with housing needs and changing legislative policy to preserve and develope low-cost housing.

In solidarity with tenants who are in danger of losing their housing now, we have provided diocesan Campaign for Human Development funding for tenant organizers in both Lee and Dominion Gardens, to assist the tenants' struggle to preserve their homes and to aid them in gaining their right in the event of displacement. And employees of the agency continue to work directly with state and local officials in a frequently difficult struggle to elicit greater governmental support for low and middle income residents. Thank you for listening and lending support to the struggle of Northern Virginians for housing rights and decent affordable living conditions.

McCORMACK, BARON & ASSOCIATES

STATEMENT OF EXPERIENCE AND QUALIFICATIONS

McCormack, Baron & Associates, Inc. has considerable experience locally, nationally and internationally in three major capacities:

1. housing and commercial development planning.

2. consulting, technical assistance and evaluative research in public and private housing, and

3. management of market rate and assisted housing.

DEVELOPMENT

MBA is perhaps best known in St. Louis as a housing developer, specializing in restoring historic properties and urban rehabilitation. Some of the firm's accomplishments in this area involving market rate and/or rent subsidized, new construction and substantial rehabilitation and mixed-use developments are highlighted as follows:

1. Development of 675 new apartments in St. Louis including both market and Section 8 units built as part of a joint venture with the residents of two public housing developments.

2. Total rehabilitation of eight structures of more than 500 units in six different St. Louis neighborhoods, fostering revitalization of those areas;

3. Development of a $40 million mixed-use historic site in downtown Kansas City, Missouri; when completed the project will include 23 buildings comprised of 210 rehabilitated residential units, 156 new construction units and 52,400 square feet of commercial space. Unique financing included tax-exempt bonds, community loans, an Urban Development Action Grant and equity funds.

4. Development of three former YMCA/YWCA buildings located in three different cities. The Akron YMCA, currently under construction, is the reuse of a 150,000 square foot art deco YMCA, located in downtown Akron. Fifty-five apartments, YMCA office and program space as well as additional retail space will be developed.

5. Development of a 24-acre blighted/historic district adjacent to large medical complex in downtown Louisville, Kentucky. The first phase included 140 market rate apartments with an additional 125 apartments currently underway

6. Total rehabilitation of the former Hadley-Dean Glass Company building in downtown St. Louis into 48,000 square feet of office space. The project was the first to be syndicated under the historic tax credit incentives of the 1981 Economic Recovery and Tax Act.

69-615 O - 87 - 5

7. Development of the former historic Ward School in University City, Missouri now known as Lewis Center, into 45 rehabilitated residential units and 30,000 square feet of commercial space leased to the Washington University School of Fine Arts.

8. Development of the first Section 202/8 group home in the country, Rainbow Village, designed specifically for the mentally retarded;

Presently, development activity is located in cities across the country including St. Louis and Kansas City, Missouri; Louisville, Kentucky; New York, New York; Jersey City, New Jersey; Springfield and Quincy, Illinois; Cleveland and Akron, Ohio.

The commercial development experience of MBA found outside the St. Louis area includes the development of 65,000 square feet of commercial space in Lincoln Square of Springfield, Illinois, 43,000 square feet of commercial space in Quincy, Illinois, 53,000 square feet of commercial space currently under construction in Kansas City, Missouri, and 66,000 square feet of commercial space in Akron, Ohio.

During the course of these development activities, the company has had continuously successful relationships with not-for-profit neighborhood groups and national associations, community residents and resident corporations, frequently forming public-private partnerships and joint ventures with these organizations resulting in profit participation. MBA also has good working relationships with HUD, LCRA, LRA, SLHA, SLCoHA, aldermen and virtually all housing-related agencies in the City of St. Louis.

Nearly every development effort the company has undertaken has required a different blend of financing sources. MBA has become well-versed in building multi-faceted funding programs combining available federal programs with local resources, including UDAGs, tax-exempt financing, conventional loans, foundation grants and venture capital from the private sector.

CONSULTING

Aside from development and through an affiliated not-for-profit company, Urban Strategies, whose principals include Richard D. Baron and Thomas P. Costello, the company has worked with the public agencies at every level of government, with non-profit organizations and community groups, and with private sector in a consulting capacity providing two types of services:

1. on-site technical assistance in the implementation of plans, particularly of a demonstration or remedial nature, and

2. policy and program analysis through evaluation research and applied field experience.

The setting in which Urban Strategies has worked has regularly showed marked improvement in financial and physical condition, resident morale, and levels of communal organization and enterprise.

Presently, Urban Strategies is involved in a joint venture relationship with the Clarksdale Resident Council for the development and training of a tenant management corporation for a 780 unit public housing project - Clarksdale of Louisville, Kentucky.

HRA is also involved as a consultant in working with the Episcopal-Presbyterian Foundation in the development of Jens-Pres House, a 99-unit, Section 202 project for senior citizens. In addition, HRA is involved as consultant for Greenville College, Greenville, Illinois, in development of Almira Manor, a 100 unit Section 202 project for senior citizens.

The second type of service, policy and program analysis has included the following topics and clients:

- an analysis of the problems of the public housing system and an agenda for HUD on the subject of its future management - U.S. Department of Housing and Urban Development;
- the design of federally sponsored demonstrations to deal with distressed subsidized apartment buildings, and the analysis of an appropriate long-term federal role in dealing with this housing;
- development of training programs for low-income, unemployed residents in a variety of urban communities to take a substantial role in the management of their housing and in the administration of social and economic development programs;
- a study of the national experience in rehabilitating and otherwise treating the existing stock of privately-owned multifamily housing - National Association of Housing and Redevelopment Officials (NAHRO);
- development of a plan for allocating discretionary operating subsidies which became a major feature of HUD's Urban Initiatives Program in public housing - U.S. Department of Housing and Urban Development;
- comprehensive, long-term effort to reorganize and improve national management and maintenance practice - Israeli Ministry of Housing and U.S. Agency of International Development; and
- exchange of housing experts and consultation on dealing with distressed public housing in the United Kingdom - The Ford Foundation and the Department of the Environment, United Kingdom.

THE FOLLOWING IS A COMPLETE LISTING OF URBAN STRATEGIES' PAST CLIENTS IN MANAGEMENT TRAINING AND TECHNICAL ASSISTANCE:

CLIENT	DESCRIPTION	LOCATION
Carr Square Apartments (Tenant Management Corp.)	658 Units-low-rise families, public housing	St. Louis, MO

CLIENT	DESCRIPTION	LOCATION
Joseph H. Darst Apartments (Tenant Management Corp.)	657 units-high-rise families, public housing	St. Louis, MO
Clinton Peabody Terrace (Tenant Management Corp.)	657 units-low-rise families, public housing	St. Louis, MO
Anthony H. Webbe Apartments (Tenant Management Corp.)	580 units-high-rise families, public housing	St. Louis, MO
John J. Cochran Gardens (Tenant Management Corp.)	704 units-high-rise families, public housing	St. Louis, MO
The Woodlawn Organization The Center for Community Change	Woodlawn Gardens 504 units-garden apartments-families (221(d)(3))	Chicago, IL
East Central Committee for Opportunity, Inc.	Lakeview Village 150 units, single family, (221(d)(3) and 236) with rent supplement	Mayfield, GA
REHCA, Inc.	Management Review-100 units (236 and 221(d)(3))	Durham, NC
Pittsburgh Neighborhood Housing Services, Inc.	Review of Proposed Maintenance Service Corporation	Pittsburgh, PA
Mexican-American Unity Council	Review of the Development of Cheyenne Village Apartments (221(d)(3)) project	San Antonio, TX
City of St. Louis Office of Manpower	Development of Supported Work Program	St. Louis, MO
St. Louis Housing Authority	Developed Target Projects Program	St. Louis, MO

CLIENT	DESCRIPTION	LOCATION
Department of Housing & Urban Development Office of Policy Development & Research	Developed Intervention Strategies for Dover Estates-distressed-400 units, (235 subdivision)	Taylor, MI
The Ford Foundation-Department of Housing & Urban Development	Developed Model for National Tenant Management Demonstration	New York, NY
Manpower Demonstration Research Corporation	National Tenant Management Demonstration Program Consultants	New York, NY
Public Housing Authority	Tenant Management Development	
Housing Auth. of the City of Jersey City	P. Harry Moore 664 units-high-rise Curries Woods 712 units-high-rise	Jersey City, NJ
Housing Authority of Louisville	Iroquois Homes 854 units-low-rise	Louisville, KY
Housing Authority of the City of New Haven	Quinnipiac Terrace Riverview-260 units low-rise	New Haven, CT
Manpower Demonstration Research Corporation (continued)	National Tenant Management Demonstration, Program Consultants	New York, NY
Housing Authority of New Orleans	Calliope Homes-1550 units-low-rise	New Orleans, LA
Oklahoma City Housing Authority	Sooner Haven-2000 Block NE 20-29th Sts. Scattered Site Housing-537 units-low-rise	Oklahoma City, OK
Rochester Housing Authority	Olean Townhouses Capsule Dwellings Fairfield Village Edith Doran Townhouses Bronson Court-211 units low-rise	Rochester, NY

CLIENT	DESCRIPTION	LOCATION
St. Louis Housing Authority	Developed Title XX Social Services Program	St. Louis, MO
Advisory Services for Better Housing, Inc.	Intervention Project for Distressed Subsidized Developments	New York, NY
Newark Redevelopment & Housing Authority	Stella Wright & Columbus Homes-TPP Projects-2500 units-families-high-rise tenant management	Newark, NJ
City of Rochester Community Development Agency	Hanover Houses-NY State Public Housing 392 units	Rochester, NY
St. Louis Association for Retarded Children	Section 202/8 Development for Retarded	Creve Coeur, MO

MANAGEMENT

MBA currently manages through its subsidiary, MBA Realty Company, all of the rental housing it has developed, totalling over 3,000 units.

In addition, MBA purchased a distressed project in Decatur, Illinois from HUD in 1981. Since that time, as owners and managers, we have achieved full occupancy and have solved many of the maintenance and operating problems the project was experiencing.

From 1974 through 1982, MBA Realty managed, under contract with the St. Louis Housing Authority, the largest public housing complex in St. Louis - Blumeyer Village; and from July, 1975 to March, 1977, Vaughn Apartments, a 650 unit housing development, was successfully managed.

MBA has continuously enjoyed highly satisfactory to superior ratings on its HUD management reviews on all privately owned and managed housing.

MBA Realty Company, formerly McCormack Realty Company, has an established history of responsible and capable management. The following is a list of developments currently under MBA Realty's management:

ST. LOUIS DEVELOPMENTS:	UNITS MANAGED
Allen Market Lane Apartments 1200 Allen Market Lane St. Louis, Missouri 63104 065-35289	100

ST. LOUIS DEVELOPMENTS:	UNITS MANAGED
Blair School 2707 Rauschenbach St. Louis, Missouri 63107 085-35359-PM-SR-LB	35
Hamilton Apartments 956 Hamilton St. Louis, Missouri 63112 085-35309	98
Lewis Center 725 Kingsland St. Louis, Missouri 63130	45
Lindell Plaza Apartments 4300 Lindell St. Louis, Missouri 63108 085-35298	42
Midtown, Scattered Site (West End) St. Louis, Missouri	26
Minerva Place Apartments 1342 Montclair St. Louis, Missouri 63112 085-35339	56
O'Fallon, Phase IA & IB 1405 N. Sixteenth St. Louis, Missouri 63106 IA - 085-35288-PM-LB IB - 085-35278-PM-LB	300
O'Fallon, Phase II 1405 N. Sixteenth St. Louis, Missouri 63106 085-35334-PM-LB	200
O'Fallon, Phase III 1405 N. Sixteenth St. Louis, Missouri 63106 085-35351-PM	175
Randolph Apartments* 321-329 Belt and 5510 Waterman Avenue St. Louis, Missouri	45
Washington Apartments 400 N. Kingshighway St. Louis, Missouri 63108 085-35271	99

ST. LOUIS DEVELOPMENTS:	UNITS MANAGED
West End Apartments 1010A Goodfellow St. Louis, Missouri 63112	100
Westminster Place St. Louis, Missouri 63108	166

NATIONAL DEVELOPMENTS:	UNITS MANAGED
Akron-YMCA* 80 West Center Akron, Ohio	56
Amherst Square 759 Yorkwood Louisville, Kentucky 40223	84
2100 Chestnut Apartments* 510 S. Shelby St. Mall Louisville, Kentucky 40202	38
Clarksdale 413 E. Muhammad Ali Louisville, Kentucky 40202	780
EastHampton Apartments 759 Yorkwood Louisville, Kentucky 40223	54
Greenwood Manor Apartments 333 S. Main Decatur, Illinois 62523 072-55005	108
Immanuel Manor 4200 Tracy Kansas City, Missouri	47
Lexington Village* 1692 E. 79th Street Cleveland, Ohio 44103	104
Lincoln Square 73 West Old State Capitol Plaza P.O. Box 138 Springfield, Illinois 62705	94
Phoenix Place Apartments 510 S. Shelby St. Mall Louisville, Kentucky 40202	140

NATIONAL DEVELOPMENTS:	UNITS MANAGED
Phoenix Place Apartments - Phase II* 510 S. Shelby St. Mall Louisville, Kentucky 40202	128
Quality Hill* 1051 Washington Avenue Kansas City, Missouri 64105	366
Revive 103 152-170 East 103rd Street New York, New York 10024 012-57326-220-LD-EC-LB	60
YWCA Apartments 111 Storms Avenue Jersey City, New Jersey 07306 NJ39-H085-101	79
Total Units Managed	2,715

* currently under construction, management contracts in place.

MAR 9 1987

ARLINGTON COUNTY, VIRGINIA
OFFICE OF THE COUNTY BOARD
ROOM 201
1400 NORTH COURT HOUSE ROAD
ARLINGTON, VIRGINIA 22201

JEAN C. JULIAN
CLERK TO THE COUNTY BOARD
PHONE 558 2281

MEMBERS
ALBERT C. EISENBERG
CHAIRMAN
JOHN G. MILLIKEN
VICE CHAIRMAN
ELLEN M. BOZMAN
MICHAEL E. BRUNNER
MARY MARGARET WHIPPLE

March 3, 1987

The Honorable Henry B. Gonzalez
United States House of Representatives
2129 Rayburn Building
Washington, DC 20515

Dear Representative Gonzalez:

Please find enclosed some materials to supplement my testimony at the first hearing held by your Subcommittee in Alexandria, Virginia on February 24, 1987. On behalf of the County Board, I want to thank you for arranging this important hearing for our region. While I regret that you were unable to be present, you were ably and sensitively represented by Representatives Fauntroy and Kaptur, as well as your always excellent staff.

Again, Arlington County appreciates the opportunity you afforded us to share with the Subcommittee our views on the important topic of the impact of rental housing rehabilitation on low-income families.

Sincerely,

Albert C. Eisenberg
Chairman

ACE/jp

Enclosure

FY 1987 BUDGET - DIRECT EXPENDITURES FOR LOW AND MODERATE INCOME HOUSING NEEDS

	Federal $	County $
HOUSING PRESERVATION		
Rehabilitation/Development Program		
CDBG	$ 214,642	$ 0
Federal RRP	69,000	0
Administration	62,724	88,156
Apartment Conservation	0	250,000
Housing Development		
AHC Housing Development	120,850	15,000
WHDC Housing Development	67,250	0
Housing Development Fund	175,910	0
AHC Asset Management	0	45,000
HOMEOWNERSHIP		
AHC - HIP	313,600	0
AHC - MIHOP	30,000	0
ACAP Weatherization	137,000	0
Real Estate Tax Relief	0	303,906
RENT ASSISTANCE		
Section 8	$4,420,496	27,036
Housing Grants	0	834,000
Rent and Tax Relief Administration	0	63,000
HOUSING FOR THE MENTALLY HANDICAPPED		
Group Home Acquisition/Rehab	64,950	0
Group Homes Operating Cost	0	614,298
EMERGENCY SHELTERS		
Acquisition and Rehabilitation	0	70,000
Operating Costs (3 shelters)	0	270,000
CDBG/HOUSING CONTINGENCY		297,000
TOTAL	$5,676,422	$2,877,396
Percentage of County FY 1987 $296.8 million Budget	1.9%	1.0%

LEE GARDENS INTEREST GROUP

SUMMARY OF THE SITUATION AT LEE GARDENS

At least 3,000 low and moderate income persons now living at Lee Gardens Apartments in Arlington, Virginia, face the loss of their homes as a result of the recent purchase and planned renovation of the complex by the Artery Organization, a Bethesda, Maryland based developer in the Washington metropolitan area. The current tenants of Lee Gardens are virtually all minority or elderly persons. Approximately 80% are Hispanic and 5% are Black; residents also include recent immigrants from Southeast Asia, India, Pakistan, Afghanistan and other countries as well as elderly persons on fixed incomes who have lived in Lee Gardens for decades. Many of the people work more than one low paying job providing the Arlington community with basic services. More than 400 elementary age children who live at Lee Gardens will be affected.

Lee Gardens is one example of a trend which is occurring in Arlington and throughout the metropolitan area. For-profit developers purchase older housing stock which is in need of renovation, units are upgraded at significant cost, rental prices skyrocket, and masses of low-income persons are forced out of their homes. They generally go to other units soon to be targeted for rehabilitation, to overcrowded situations with friends and relatives, or to the streets.

Current rents at Lee Gardens are between $400 and $640. After renovation rents will range from $650 to $900, far beyond the reach of most of the current residents. Therefore, these persons are faced with the task of finding new housing in a market:

- -o- where redevelopment activity has displaced over 600 households and another 2,000 units in addition to Lee Gardens are expected to be rehabilitated in the near future
- -o- where the vacancy rate is 1.4%
- -o- where the median rental for a one-bedroom apartment is $486 and a worker earning minimum wage makes $576 per month
- -o- where almost 1,200 families are now on the waiting list for Section 8 federal housing assistance, and
- -o- where during a 6 month period in 1985, 34% of the families who had Section 8 Certificates of Eligibility were unable to find housing before their certificates expired.

Lee Gardens Apartments is a 950-unit garden apartment complex located across from the U.S. Army base, Fort Myer, on a main transportation route within walking distance of both bus and subway. Originally built in the 1940's to house military families, in recent years the complex has deteriorated rapidly, due to poor maintenance by the previous owners and is badly in need of renovation.

Because of the potential tragedy at Lee Gardens, a group of religious, civic, and housing leaders in the community joined together to form the Lee Gardens Interest Group. This group's goal is to create alternative plans for development which maintain low and moderate income housing at Lee Gardens. Tenant organizing was an initial priority. A tenant steering committee is now active and its representatives are a critical part of the Interest Group. Another priority has been a County-community effort to maintain low and moderate income housing. A team of County staff and Interest Group representives formed and is negotiating with Artery to preserve as many units as possible as low and moderate income housing for current tenants. Artery has at this point committed to working with the team to find ways that are "economically feasible and practicable...to maintain at least 20% of the units as affordable housing for existing tenants".

The key component in developing an economically viable proposal to present to Artery for the maintenance of low income units at Lee Gardens is federal, state and local funding. Because of the high price paid by Artery and the extensive renovations needed, significant public subsidies will be necessary. State and local officials are willing to participate, but it will be essential to secure Section 8 moderate-rehabilitation units from the headquarters office of HUD. Other changes in federal laws or regulations may also be needed to deal with the issues involved in Lee Gardens.

The situation at Lee Gardens has generated intense community concern and action at the grassroots and local government level. Business as usual in an environment where public monies for housing have dried up, and where tenants traditionally have few rights and little voice, will lead to a human tragedy of massive proportions. New innovative and compassionate strategies are needed to remedy this situation.

** ARLANDRIA COMMUNITY CAMPAIGN TO SAVE OUR HOMES **

PROFILE:

Arlandria's Layton Estate:
A Community Endangered by High-Priced Development

Arlandria is a neighborhood settled in the northern end of the City of Alexandria, located on the southern border of Arlington County. Layton Estate is a low-income housing complex of 1,057 rental apartments on eight properties: Dominion Gardens (416 units), Bruce Street Group, including Bruce Street, Dixie, Green, Alabama, and Eastview Apartments (275 units total), and Warner Towers and Brookside Apartments (461 units total).

The Layton Estate complex represents 74% of the low-income housing stock in Arlandria, and is the sole remaining low-income housing available in Alexandria. The majority of Layton Estate's residents are black and Hispanic; Asians and whites comprise the remaining tenant population.

The past June, major Washington metropolitan area developers Conrad Cafritz, Jr., John Freeman, and development and financial corporations affiliated with them moved towards purchasing Layton Estate. The developers plan to evict present tenants (the eviction process for several of the properties began in October 1986), renovate the properties at a cost of $29 million, and re-rent them as luxury apartments. Minimal rent increases of 86% are expected after renovation is completed.

The development plans prepared by Cafritz, Freeman and their affiliates will have a critical impact on the over 5,000 Layton Estate residents who will be forced from their homes. The City of Alexandria has a rental vacancy rate of 1.7%; less than 400 of 23,000 rental apartments are available at any given time. Average rents for these apartments are 65% higher than present rents at Layton Estate.

An initial Layton Estate tenant profile estimates approximately 700 of the 1,057 households spend 25% or more of their monthly income on rent; aproximately 50% (350) of those 700 households spend 35% or more of their monthly income on rent.

Sixty percent of the rental units in Alexandria limit or restrict occupancy by children; it is estimated that over 2,000 children presently reside at Latyon Estate.

Finally, much of the remaining rental housing have income requirements of $25,000 to $30,000 per year. At Dominion Gardens alone, over 70% of the tenants have incomes below 50% of the median income for the Standard Metropolitan Statistical Area (of which Alexandria is a part); 38% of the Dominion Gardens families earn less than $14,000 per year.

The impact is grim: it is estimated that minimally 75% of the Layton Estate families will be unable to find new homes within Alexandria; over 30% of those displaced will be forced to live in shelters or substandard housing; the education of over 2,000 children will be severely disrupted since evictions are occuring in the middle of the school year; families and friends will be broken-up; and many wage-earners will be forced to live further from their jobs and public transportation.

** ARLANDRIA COMMUNITY CAMPAIGN TO SAVE OUR HOMES **

PROFILE:

Tenant Legal Action: Filing Suit
for Violation of Fair Housing and Civil Rights Laws

Layton Estate tenants filed suit, in December 1986, against the new owners and developers of the Layton Estate properties, and Samuel Pierce, Jr., Secretary of the United States Department of Housing and Urban Development (HUD). The suit alleges that actions by the new Layton Estate owners and developers, and HUD violate the Fair Housing Act of 1968 and Civil Rights Act of 1866.

The Fair Housing Act of 1968 forbids discrimination in housing on the basis of race, religion and national origin.

The Civil Rights Act of 1866 states that no person in the United States will be denied any of the property rights granted to white citizens.

Key Issues of the Lawsuit

1) The tenants allege the new owners and developers of the Layton Estate are knowingly and actively working together to displace the Estate's present tenants - primarily black and Hispanic - and replace them with upscale, predominantly white tenants.

This major displacement of several thousand minority citizens will resegregate the City of Alexandria as an upscale, predominantly white community. Layton Estate is the last major black and Hispanic community within the city's limits; it is the city's sole remaining low-income, affordable housing development.

The displacement will critically impact the lives of the minority tenants more so than comparably situated white tenants. Alexandria does not have any similar affordable housing opportunities. As a result, Layton Estate's minority tenants will be forced to leave Alexandria and move far away from their families, friends, schools and workplaces. Tenants' lives will be severely hurt: the forced break-up of extended family and friendship networks; the forced interruption of children's educations in the middle of the school year; the additional hardships of traveling to jobs, which will increase in time, distance, and expense.

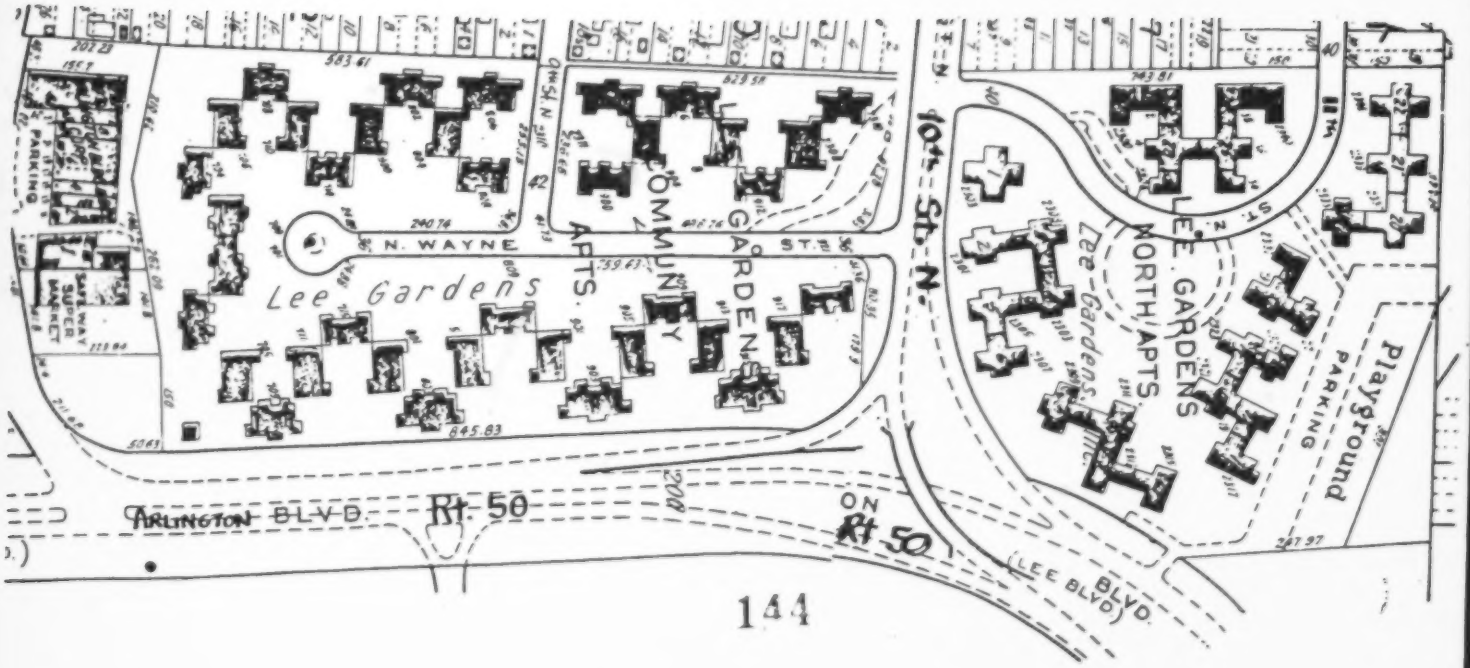
2) The suit also alleges the new owners and developers must show the absolute economic necessity of displacing the Layton Estate tenants. The tenants can show there are feasible and existing housing solutions which would keep Layton Estate a low-cost and affordable housing community for the families presently residing there, while, at the same time, be a profitable housing venture.

3) In addition, the suit alleges the new owners and developers of Layton Estate have demonstrated, in past development activities, a pattern and practice of displacement which discriminates on the basis of race (Abingdon Apartments, presently Potowmack Crossing, in Alexandria).

4) Finally, the US Department of HUD has a statutory obligation, under the Fair Housing Act of 1968, to minimize displacement of minority and low-income citizens wherever any federal housing assistance is provided.

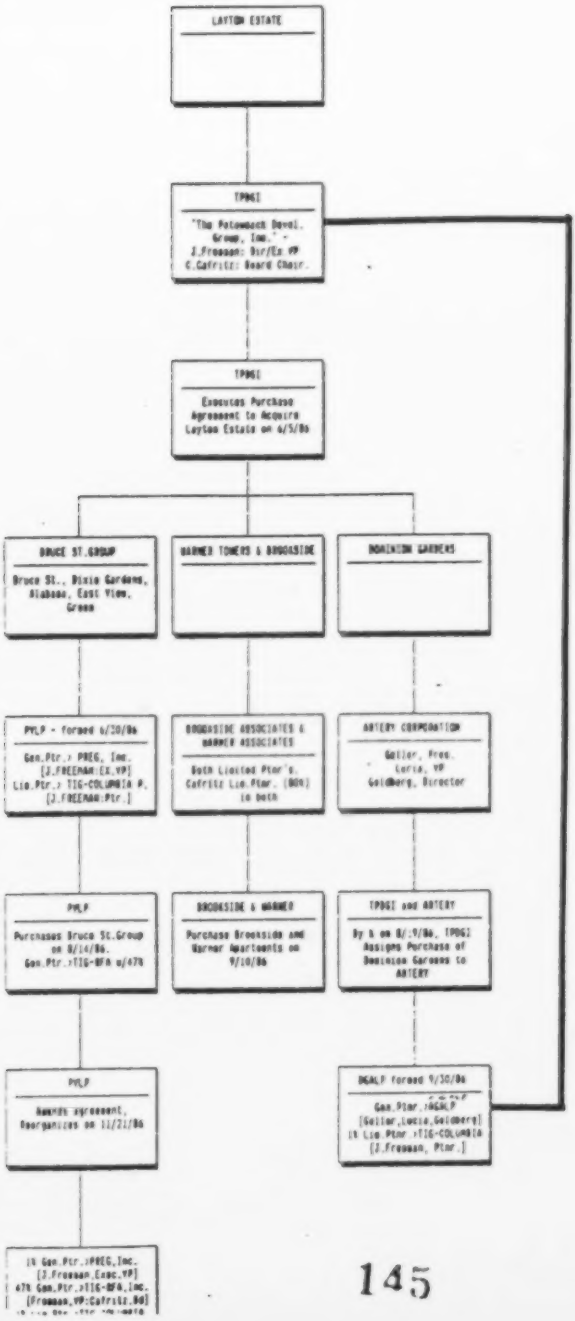
Layton Estate's new owners and developers, through private lenders, have applied for HUD mortgage coinsurance. HUD, through administrative regulation, has delegated to the private lenders its responsibility to certify minimal displacement of the minority tenants at Layton Estate.

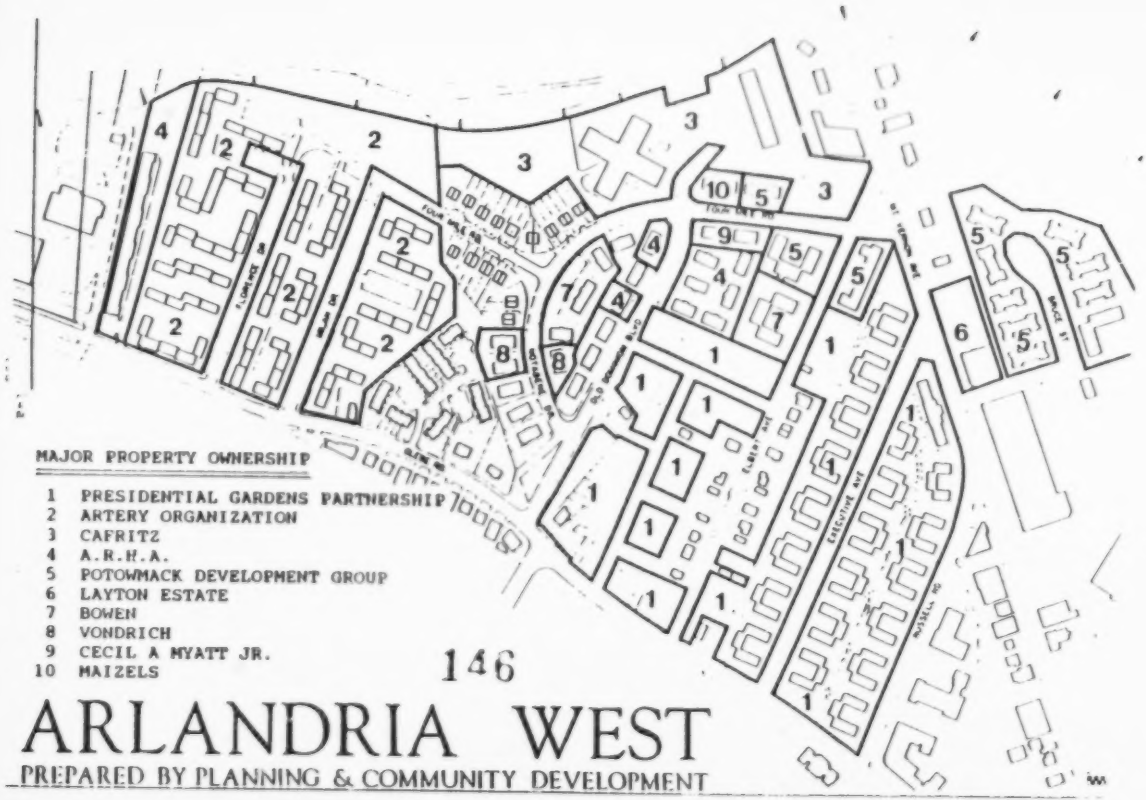
However, the private lenders have no real interest in protecting the present Layton Estate tenants from displacement because that protection conflicts with the needs and interests of the Estate's new owners and developers: the lenders' clients. It also conflicts with the lenders' interest in operating their insurance business.


N. WAYNE
ST.
Lee Gardens
COMMUNITY
APTS.
GARDENS
LEE GARDENS
NORTH APTS.
Lee Gardens
Playground
PARKING
SAFEWAY
SUPER
MARKET
PARKING
ARLINGTON BLVD.
Rt. 50
ON
Rt 50
(LEE BLVD)
10th St. N.
11th St. N.

OHMAN v. ARTERY [Civ.Action # 86-3395]
Chart showing LAYTON ESTATE Option
Acquisitions and Purchases

Draft for AGLAB 1/15/87





MAJOR PROPERTY OWNERSHIP

1 PRESIDENTIAL GARDENS PARTNERSHIP
2 ARTERY ORGANIZATION
3 CAFRITZ
4 A.R.H.A.
5 POTOWMACK DEVELOPMENT GROUP
6 LAYTON ESTATE
7 BOWEN
8 VONDRICH
9 CECIL A MYATT JR.
10 MAIZELS

146

ARLANDRIA WEST

PREPARED BY PLANNING & COMMUNITY DEVELOPMENT

** ARLANDRIA COMMUNITY CAMPAIGN TO SAVE OUR HOMES **

Chronology

June 1986

Major developers Conrad Cafritz, Jr. and John Freeman, through Potomack Investment Group, acquire a purchase contract on the Layton Estate.

Layton Estate tenants begin discussing ways of fighting the impending purchase of their homes.

July 1986

The Arlandria Community Campaign to Save Our Homes is founded by tenants and community and religious groups concerned about the fate of the Layton Estate families.

The Campaign begins letter-writing drive to Alexandria city officials and Cafritz and Freeman. Nearly 1,000 letters protesting the sale of their homes are signed by Layton Estate tenants.

The Campaign learns that Artery Organization, affiliated with Cafritz and Freeman, would be involved in some way with the development of Dominion Gardens.

August 1986

A delegation of Layton Estate tenants and their representatives present Alexandria City Manager Vola Lawson, Vice Mayor Patricia Ticer, and Members of the Alexandria City Council with tenant letters asking the city to stop the sale of the Layton Estate homes to Cafritz and Freeman.

Closed-door meetings between the Alexandria Redevelopment and Housing Authority (ARHA) and developers Cafritz and Freeman produce an agreement in which the developers would sell, at cost to ARHA, three properties neighboring Layton Estate: Beverly Gardens, and the Myers and Jeffries properties. Cafritz and Freeman held purchase contracts on those properties. ARHA announces plan to issue tax-exempt bonds to renovate the properties, setting aside 40 of the properties' 152 units as publicly assisted rental housing. In return for this purchase, Alexandria city officials approve Cafritz and Freeman's purchase of Layton Estate. (Freeman later states that the sale of Beverly Gardens, and Myers and Jeffries properties to ARHA was his way of providing affordable, low-income housing).

A delegation of Layton Estate tenants and their representatives meet with John Freeman at his Washington, DC office. Freeman indicates his "willingness" to listen to alternative housing plans the tenants have to offer.

The Campaign sponsors a Town Hall meeting between Layton Estate tenants and Alexandria city officials, including Mayor James Moran, Jr. Over 150 tenants and supporters ask the Mayor and other participating city

officials to prevent the displacement of over 5,000 Layton Estate tenants. Mayor Moran states that the city will "do everything that is legally possible and everything that is financially feasible." The Town Hall meeting is held at the Grace Episcopal Church in Arlandria.

Layton Estate tenants and their representatives submit to the city an alternative housing purchase plan, which would enable tenants to renovate and cooperative own the Dominion Gardens, Warner Towers and Brookside Apartment properties of the Layton Estate. The tenant-ownership plan calls for public-private sector partnerships to finance the purchase and renovation.

The Alexandria Landlord-Tenant Relations Board begins discussion on the relocation benefit plan developed by Cafritz and Freeman for the Bruce Street properties of the Layton Estate. Freeman approaches tenant representatives regarding sale of Eastview (a 42-unit building within the Bruce Street complex) to tenants. Tenants and their representatives state that Eastview was too small to accomodate the housing needs of Layton Estate tenants; however, tenants would be interesting in discussing with Freeman the sale of Dominion Gardens to them.

September 1986

Cafritz and Freeman close on Warner Towers and Brookside properties.

Alexandria City Council holds public meeting on the Bruce Street relocation plan. The plan submitted by Cafritz and Freeman receives a cool reception because it does not comply with voluntary tenant assistance guidelines established by the city. Freeman, at that meeting, refuses to consider selling Dominion Gardens to Layton Estate tenants.

Cafritz and Freeman agree to pay relocation benefits of up to $50,000 to tenants living in the Bruce Street complex, less than the city's guidelines.

The Campaign organizes a candlelight vigil outside Alexandria City Hall, at which over 100 Layton Estate tenants and community supporters attend. The vigil is held as the City Council meets to approve the Bruce Street relocation plan.

The Alexandria Journal reports that Artery Organization would purchase Dominion Gardens.

Artery Organization closes on the Dominion Gardens property.

Alexandria city officials approach the Washington Metropolitan Transit Authority (Metro) regarding leasing one of the Metro's properties for a homeless shelter.

Alexandria city officials privately meet with Artery Organization in an attempt to get the company to set-aside 20% of the 416 units in Dominion Gardens for low-income families.

Artery Organization purchases the Gardens, in Arlington County, and

announces plans for high-scale renovations. Between 3,000 and 5,000 low-income, primarily Hispanic and black tenants, are expected to be displaced. The vacancy rate for rental units in Arlington County is estimated at one percent. Lee Gardens is one of the few remaining low-income housing complexes in Arlington.

October 1986

The Campaign applies for Community Development Block Grants to purchase and renovate Dominion Gardens and other Layton Estate complexes for present Layton Estate residents. The application, through Alexandria's Community Development Block Grant Advisory Board, competes with ARHA's application for block grant monies to purchase and renovate 40 apartment units for low-income senior residents.

Cafritz and Freeman announce rent hikes of $50/month for tenants residing at Layton Estate's Warner Towers and Brookside apartments. The rent increases will take effect November 1, 1986.

Layton Estate residents picket the Washington, DC offices of Cafritz and Freeman.

The first notices to quit the property are delivered to 50 families at Bruce Street complex. The families have within 120 days to leave the Bruce Street premises.

Reverand Jesse Jackson meets with Layton Estate tenants and their representatives. Jackson expresses his support of the tenants' efforts to save their homes.

The National Council of La Raza announces its support of the tenants' efforts to save their homes. The National Council identifies developers and insurance companies interested in financing a purchase and renovation of Dominion Gardens, enabling tenants to stay in their homes.

Alexandria's Landlord-Tenant Relations Board holds a public hearing on the proposed Artery relocation plan for Dominion Garden residents.

Northern Virginia officials, including Alexandria City Manager Vola Lawson, form a coalition to deal with the lack of affordable housing. The coalition urges the State of Virginia to create a housing trust fund that will benefit households earning less than 80% of the median income ($41,000 for a family of four), and to provide additional monies, technical assistance, and staff into local housing programs. Lawson states that "affordable housing has gone to the top of the list of endangered species in all the Northern Virginia jurisdictions."

November 1986

Rent increases take effect at Warner Towers and Brookside apartments.

Layton Estate residents picket the Arlington offices of Artery Organization.

Alexandria City Council approves the relocation plan for Dominion Gardens and the remaining Layton Estate properties purchased by Cafritz, Freeman and their affiliated entities. Homeless activist Mitch Snyder leads a tenant protest, urging the City Council to use the powers of eminent domain granted in the City Charter to aid the tenants in their purchase and renovation of Dominion Gardens.

The first notices to quit the property are delivered to 70 Dominion Gardens families. The families have within 120 days to leave the Dominion Gardens properties. The notices are received the day before Thanksgiving.

December 1986

Layton Estate tenants file a lawsuit against Cafritz, Freeman, Artery Organization, and their affiliated entities. The lawsuit claims that the displacement of the primarily black and Hispanic tenants from the last remaining low-income community in Alexandria violates the Fair Housing Act. The suit, filed in US District Court, also names US Housing and Urban Development Secretary Samuel Pierce as a defendant. A hearing on a preliminary injunction to stop ongoing tenant evictions is scheduled for late January.

English as a Second Language (ESL) classes are organized for Layton Estate tenants by the Alexandria Church of God. The classes are held every Saturday afternoon.

Layton Estate tenants and their community supporters march to Mayor Moran's home, protesting the city's unresponsiveness in using its eminent domain powers to save some of the Layton Estate properties. Mayor Moran comments that housing is not a right in this country.

Tenants hold a similar march to the home of City Councilman Carlyle Ring, Jr., chair of the City Council's Arlandria Subcommittee.

The first major funds are raised by the Campaign: a $7,500 grant from the National Council of La Raza. The funds enable to Campaign to assemble a small organizing staff.

The Campaign begins the process to incorporate as a non-profit entity.

The Campaign conducts a preliminary door-to-door canvass of Layton Estate, enabling the Campaign to accumulate early data on the racial composition of the tenants.

The Church of God joins the Campaign in organizing Christmas food baskets and toy drive for Layton Estate families and children.

January 1987

Personnel from Artery attempt to force tenant representatives off Dominion Gardens property.

Construction begins on the facades of two Dominion Gardens buildings located on Milan Drive.

Another 50 families in Dominion Gardens receive notices to vacate the property within 120 days.

The Campaign begins to form a tenant Steering Committee, and organizes housemeetings with Layton Estate tenants.

Mitch Snyder and the Community for Creative Non-Violence makes a $5,000 donation to the Campaign.

McCormack/Baron Associates, a real estate development corporation, develops purchase and renovation plan for Dominion Gardens on behalf of the Campaign. The plan provides similar renovation at similar costs to that planned by Artery; however, McCormack/Baron proposes a public/private sector partnership to finance the plan, which will keep rents at present, affordable levels.

Alexandria City Office of Housing hires a consulting firm, James Pickman and Associates, to help the city negotiate with Artery to set-aside 20 to 30% of the Dominion Gardens units for low-income housing.

Alexandria city officials begin to explore idea of tunneling part of Route 1, one of two main routes through the city's downtown, to relocate the highway away from the downtown area. The tunnel, suggested by City Councilman Carlyle Ring and supported by Mayor Moran, would be less than one-mile long; early estimates of the tunneling costs are approximately $100 million.

Public hearings are held regarding the closing of the Charles Barrett Elementary School in Arlandria, at which nearly 2/3 of the Dominion Gardens children attend school.

The hearing on a preliminary injunction to halt the planned evictions of Layton Estate tenants is held at US District Court. Federal Judge Harold Greene, who presided over the break-up of AT&T, announces that he will make a decision shortly.

February 1987

The Campaign sponsors a potluck dinner and social for Layton Estate tenants. The event is held at the Charles Barrett Elementary School.

Representatives of the Campaign and McCormack/Baron meet with Alexandria City Councilmembers and Office of Housing staff regarding the housing purchase and renovation plan developed for the tenants by McCormack/Baron.

Catholic Charities of Northern Virginia approves a donation of $3,000 to the Campaign.

Layton Estate tenants and community supporters testify at a public discussion session of the Alexandria City Council. After the testimony, tenants and supporters hold a rally and march to City Hall from the

Third Baptist Church. The march calls for Alexandria city officials to use its powers of eminent domain to save some of the Layton Estate properties for low-income, affordable housing.

The Subcommittee on Housing and Community Development of the US House of Representatives Committee on Banking, Finance and Urban Affairs sponsors a field hearing on Layton Estates and Lee Gardens. The hearing's theme is "Rental Housing Affordability for Low and Moderate Income Families." Testifying at the hearing are tenants and developers for both Layton Estate and Lee Gardens, as well as Alexandria City Mayor Moran and Arlington County Board of Supervisors' Chairman, Al Eisenberg. Prior to the public hearing at Grace Episcopal Church in Arlandria, Subcommittee members joined in a bus tour of the Layton Estate and Lee Gardens properties. The Subcommittee is chaired by Congressman Henry Gonzalez (D-TX).

143 Forest Park
7800 Tavloe Drive
Manassas, VA 22111
February 20, 1987

Dear Congressman Gonzalez:

I am unable to attend your hearings on the fate of the Lee Gardens apartment complex and other problems relating to the loss of low-income housing in Arlington and other areas of the nation. I hereby request that this letter be entered in the record of the hearing so it may be considered in formulating legislative policy in these matters.

Your efforts and the efforts of other legislators to take action to prevent low-income people to be priced out of the housing market might have been effective about five years ago. Now these programs are too little and too late. Most of the housing opportunities for low-income people have vanished, and it will take a long time and a massive amount of money to correct the problem of poor people who were forced out of thier homes to satisfy the greed of some real-estate speculators.

Your efforts to save low-income housing in Lee Gardens in other areas will accomplish nothing of significance. As soon as the newspapers and TV stations tyrn thier attention to another crisis, the residents of Lee Gardens will lose thier protection, and the real-estate speculators will take action to move the low-income people out of Lee Gardens. The management company will feel under no obligation to obey the HUD rulings, because the real-estate speculators will know that HUD is a paper tiger with no real power to enforce housing regulations.

Where were you when the Buckingham community was sold for conversion? Even though thousands of present and former federal workers lost thier homes, you and the other members of Congress stood by and did nothing. Appeals to HUD were a waste of time, since HUD did nothing to enforce the laws on the books regarding the matter. The IRS was not interested in prosecuting the owners for tax fraud, even when I hand-carried the evidence to the IRS offices. Most federal officials considered the sale and conversion to be a "local problem" and refused to get involved even when federal laws were being violated.

The politicians in Richmond do not give a damm what happens in Northern Virginia, so they gave no assistance at all. They do not seem to care that many thousand voters, and taxpayers lost thier homes due to the conversion. The Arlington County Government promised help, but this was little more than a public meeting to discuss the problem. The County Board was already counting up the tax income from the conversion program.

Buckingham was built shortly before WW II to provide decent housing at affordable rates for the many federal workers who came to town to work in the New Deal programs. The rent structure was designed to match federal pay levels, so most residents paid about ¼ of thier salary for apartment rents. This policy of maintaining decent housing at affordable prices was continued while the builder was alive and running the corporation.

The builder made so much money from Buckingham that he decided to use the plans to build a second community called Claremdon. Both communities has the same general layout with a shopping center in the middle and housing areas within walking distance of the community center. This basic Town Plan was copied by another company and was used in Greenbelt Maryland. Also, the basic concept of a shopping center and housing withing walking distance was borrowed to design the "new cities" of Reston Virginia and Columbia Maryland. For example, Reston is basically a collection of small communities, each centered on a shopping area or business center. In time, these communities will grow together and form the City of Reston.

The shopping center of Buckingham had a number of stores offering all manner of merchandise. There was a drug store, two banks, a dry-cleaner, a shoe repair shop, the movie theater, a supermarket and a couple of restaurants. There was even a furniture store where you could buy or rent furniture for your apartment. Even if you arrived in Buckingham with nothing but your bags, you could rent an apartment and then buy everything needed to set up your apartment. After you got settled in, you had access to medical care, recreation opportunities and a good transportation system, all within a short distance of your home. You could take the bus System to work in DC or at the Pentagon, and to many areas outside the community. Later, when the Orange line opened to Ballston, you could go almost anywhere in the DC area for a subway fare.

The owner of the drugstore in Buckingham opened a similar store in Claremont and this evolved into the DRUG FAIR chain that covered most of the mid Atlantic states. Later, DRUG FAIR was merged with another company to form a nationwide chain. It all started from one small store in Buckingham.

When the Parkington Shopping Center opened a short distance from Buckingham, the residents had access to the Hecht Company, Radio Shack and other stores that were too large for the Community Center areas. Recently, the Parkington Center was rebuilt as the BALLSTON COMMONS and there are many more stores available.

The Buckingham and Claremont Communities featured good schools, a good transportation network, shopping areas offering almost everything needed by the residents. Also, the people were friendly, and both communities offered a small town atmosphere with convinient access to the big city service of Washington DC.

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Some of the first-generation residents of Buckingham and Claremont got married and moved out to the suburbs to raise a family. As soon as the kids left home, the old folks sold the big hous and moved back to Buckingham because an apartment is easier to maintain than a house. Other old-timers came to Buckingham and Claremont and never left. They found the community offered good schools, so they settled in Buckingham to raise thier family. When the kids left home, most of them moved just down the street to another apartment. Buckingham was serving two and three generations of some families.

The old-timers provided a sense of stability and the wisdom that comes from a lifetime of experience. They were willing to share thier ideas and stories, so they formed a brain-trust that could be used to get advice on almost any problem. When Buckingham and Claremont were sold for conversion, most of these old folks lost thier retirement homes. Since Buckingham and Claremont offered decent housing at affordable prices, many retired workers decided to live in Buckingham after a lifetime of service. When they lost thier retirement homes, many old folks had to move in with thier kids, thus creating problems. Other old-timers were forced to move to nursing homes, even though they are healthy enough to live alone. They gave up thier active form of life and are just sitting around waiting to die.

The young folks were just staring thier married life and giving birth to thier first kids. Some young folks were born in Buckingham and this was the only home they knew. They planned to stay in Buckingham and raise thier family, just as thier parents had done in the previous generation. Other young couples would buy a house and move out to the suburbs. They would eventually return to Buckingham and spend thier retirement years in familiar surroundings. When the conversion came, many of these young families had to go into debt to buy a house. If they waited a few more years, thier marriage would be on a firmer foundation, and able to stand the process of relocation. Also, the young folks would have more money available and be able to buy a house after consideration of all aspects of the matter. Both the divorce rate and the number of bankruptcies went up as a direct result of the conversion process.

The young folks brought new ideas and hope for the future. Every time a new baby is born, it is a sign from God that the world should continue. These kids would grow up to accomplish great things in all areas of human life. Who knows? maybe a kid born in Buckingham may grow up to lead the first Martian Colony or discover a cure for the AIDS plague.

Buying a house is a serious decision. It should not be forced on a person simply because they lost thier apartment and they need another place to live in a hurry. The decision to buy a house must be made after a careful study of financing plans and other arrangements. A large amount of money is needed just for the down payment and the homeowner must face many years of mortgage payments, real-estate taxes and repair costs.

Also, the decision to buy a house requires a major change in lifestyles both in terms of physical living arrangements and also as a psychological adjustment. There is a big difference between calling up the landlord for a repair job and putting on your work clothes to fix a broken water-heater. Also, you start to put down roots in the community as you realize that this is where you will probably spend the rest of your life.

Many young couples were rushed into buying a house, when they should have stayed on at Buckingham and Claremont until they were ready for all the legal and financial obligations of home ownership. A lot of people got into debt because they lost thier apartment and were forced to borrow money to buy a house. When they were unable to meet the mortgage payments, they lost thier house and either left the DC area or moved into one of the homeless shelters. Also, the sudden, unexpected change from apartment renter to home owner was too much for some people to handle, so they got divorced or got hooked on booze and/or illegal drugs.

There was also a third group of people affected by the conversion of Buckingham and Claremont. These were the immigrants. It takes a special brand of courage to leave your homeland and build a new life where even the language is unfamiliar. Many of the immigrants came to the USA with only the clothing on thier back. They were fleeing the communist forces invading thier homeland or a life of poverty at home. A few immigrants brought artifacts from thier homeland, but most came to the USA with practically nothing but the information in thier head.

These people brought new ideas and a fresh way of looking at life. They contributed colorful festivals and exotic costumes from thier homeland. They gave the Anglos an opportunity to learn a new language and to gain insight into a new part of the world that is closed to most foreigners.

Most of the immigrants were just getting settled into thier new life when they were uprooted again and start from scratch. They had begun to learn the English Language, and they were starting up new shops and stores that would allow them to be self supporting and contribute to community life. For example, one shop was run by a craftsman who could fix almost anything. He was a soldier in his homeland, and when his family was killed by the communist invaders, he decided there was nothing for him to do but to leave home and make a new life in the USA. His main wish is to be taken back to his homeland and be buried there, since he can never return home during his lifetime. He has used his hands to build a new life and in a few years he would have been a community leader. He lost his shop and home when Buckingham was converted, so he has to move and start all over again. He lost most of his customers, and it will take a long time before he finds enough new customers to make a profit again.

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When the builder of Buckingham and Claremont died, his heirs sold the property to the real-estate speculators. The new owner was interested only in taking as much profit as possible, so he raised the rents and cut back on maintenence services. He sold the Claremont Community for condo conversion. The residents of Claremont were offered space in Buckingham if they would agree to move and not oppose the conversion. Now, many of these same people were uprooted again when Buckingham was sold for Conversion. Some of the people settled in Lee Gardens. Now that Lee Gardens is being converted, where are these people going to live?

The new oner promised in writing that Buckingham would remain a rental community, and that he had no plans to sell Buckingham for conversion. This turned out to be a deliberate and outrageous lie, because the owner apparently was planning to sell Buckingham as soon as he completed the sale of Claremont.

In effect, the apartments in the PHASE I area were left vacant and taken off the market in deliberate violation of HUD Regulations. This also gave the owner a nice tax deduction or business loss, which violates IRS Regulations.

In effect if a white family came to the rental office and asked for an apartment, they were given space in the Phase III or Phase IV areas. If a black family came in asking about an an apartment, they were told that no units were available. When an apartment became vacant in the Phase I area, it was taken off the market and left uninhabited until the sale and conversion.

Then, when Buckingham was sold for condo conversion, the real-estate speculator could come in and start converting the vacant units in Phase I. Since most of the apartments were already vacant, very few people were forced to move out of the Phase I area. The Sales office could begin selling the apartments while the work crews were still remodeling the apartments. I feel the buyer and seller entered into a conspiracy to hold the Phase I apartments off the market so they could be converted and sold shortly after the paperwork was signed. The real-estate speculators could dive up the profits and claim a nice fat tax deduction on the vacant units.

When Phase I was sold out, the residents of Phase II got notices to move out. Then when Phase II was sold, the conversion started on Phase III and Phase IV. Now, the conversion os completed. During the conversion process, the tenants were not informed of thier rights, and I feel several laws were broken during the conversion process itself. The displaced residents were not give the large relocation allowance and other goodies given to the Lee Garden residents. The Relocation Allowuance given to the residents of Buckingham and Claremont did not even cover the cost of moving. I had to do most of the work of moving myself and I had to borrow the money for a down-payment on my home. I still have a huge mortgage payment and other housing-costs

that I had not planned on paying at that time in my life. Since I was given no time to make plans to go from apartment renter to home owner, I made many mistakes along the way. I am now paying for these mistakes.

If I had been given time to plan the move and come to terms with the responsibilities of home ownership, I could have made a much smoother transition. I could have paid off my credit cards and other small debts and not try to pile new debts on top of old debts. This would also have allowed me to build up cash reserves that I could draw on to make a larger down-payment. By increasing the down-payment amount, I could have reduced the amount financed and this would be reflected in lower interest charges and a lower monthly mortgage payment. Also, I might have been able to take advantage of the falling interest rates and financed my mortage for less money. Now I am locked into an interest rate that is plain and outright usury.

I also had to take on the burden of owning a car. When my VW Camper was burned up in a fire, I decided not to replace it. I was living in Buckingham and I really did not need a car for commuting or shopping trips. I used the camper mostly for weekend trips out of town. When the camper burned up, I got the insurance money and turned in the old tags, etc. I found that I could use the bus and subway system for most of my travel needs. I lived for about a year without the legal and financial burdens of owning a car. I had more money to spend, and after the first few months, I really did not miss having a car.

If I needed a car for a special trip, etc. I could take the bus or subway to Crystal City and take my pick of the car rental agencies on Jefferson Davis Highway or at National Airport. If I did not like the deal I was offered, I could go to the competetors down the street.

Since there is NO public transportation that will get me to and from work on time, I had to go into debt to buy both a house and a car. I have paid off the car loan, but one time the car was repossesed because I got behind on my payments. The repo man came in the night while I was asleep. I got ready for work as usual, and when I went to drive to work, there was no car. Since I had no way to get to work, I just had to call my supervisor and take leave time until I got my wheels back.

When I learned that my car had been repossessed by the bank, I was just about ready to commit murder. I actually was planning to get out my gun and hitch a ride into DC. I would then go to the bank and shoot the loan manager as he sat at his desk. Since I could not get a ride to DC, I was forced to cool down and attack the problem logically. When I got paid a few days after my car was taken, I was able to catch up on the past-due payments and renegotiate the loan. I got my car back and I was able to go back to work. I have paid off the car loan and I now own the car free and clear. If I had had a way to get to DC during my period of anger, the bank official would now be

dead, and I would be in prison on a murder charge. I have resolved never to do business with the bank again, and when it is time to buy a new car, I will pay the full amount in cash and avoid the finance charges and the threat of having my car repossessed.

I have made a similar committment toward my house. I will pay off the mortgage as soon as possible and then I will throw a big party when it is time to burn the mortgage papers. If someone shows up to repossess my house, I will shoot first and ask questions later. However, I plan to pay off the mortgage and get to a point where I will own my home free and clear. Then I can retire and have a place to live during my retirement years and not face the loss of my home or a forced move to a nursing home while I am able to take care of myself.

While I was living in Buckingham, I had no plan to buy a home. I felt that I had "come home" when I moved to Buckingham. I actually lived in Buckingham for the longest period of my life. Because of my father's work, my family was required to move every couple of years, so I grew up without a fixed anchor point I could call "home". My home was wherever I happened to be at the time. I had few friends and I was forced to adopt a life that was quite lonely. When it was time to move on, I could cut the few ties to the community and start a new phase of my life somewhere else. I continued this nomadic life when I left home to live on my own. I never really put down roots anywhere, and at one point in my life, I could choose ANY town, city, village, etc. and make my home there.

I just got tired living out of a suitcase, and when I came to Buckingham, I felt this was a good place to settle down and make it my home. I started to take an interest in community affairs, and I started putting down roots. I was planning to stay in Buckingham and pay rent until I got ready to retire. Then, when I started recieving retirement checks, I could move to Texas and live in a small town where living costs were lower and whre there would be warmer winters.

When I lost my apartment in Buckingham, I suffered a severe psychological blow as well as a serious financial dislocation. Since Buckingham was my "home", I had several programs going and I was considering running for a local elected office. I had made a complete change from a nomadic life to a member of an organized community. If I had continued my life as a lonely nobad, I would have been able to adjust to the loss of my apartment as just another move to a new city. However, since I had put down my roots in the community, the loss of my home was very very painful.

I have made a new home in Manassas, but I still wish I was living in Arlington. I can do without the long drive to work and back each day (80 miles total). I can also do without the expense of car repairs insurance, tag fees, cost of gas and oil, and other car ownership headaches. If I were living in Arlington,

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I could take the subway to work and arrive at work refreshed and ready to work instead of being frazzled by the rush-hour traffic on Shirley Highway (I 95). I cannot drive to the VIENNA metrorail station and take the subway to work, because this is way out of my way. I can drive to work by a more direct route and save the subway and parking costs. I MIGHT consider driving to Springfield and taking the Yellow Line into DC, but this route is not scheduled to open until after I plan to retire. Also, I would have to look at where the subway is located before I switch from driving into town.

I lost many things when I was forced to move out of Arlington. The condo convertor did not give a damm that most people lived in buckingham for several years and paid thier rent on time. They also did not care that there were very few crime problems, and most residents were careful not to make loud noises to disturb thier neighbors. They also did not consider the fact that both Buckingham and Claremont were COMMUNITIES, and they were killing a town when they got rid of all the old tenants and brought in a new crowd. The buildings are still in place, but the soul of the community has been lost.

The story of Buckingham and Claremont is now being played out in the Lee Garden Apartments, and in other apartment projects that are facing the sale and conversion process. I admire the courage of the residents to try and fight for thier rights, but the outcome is already decided. The real-estate speculators do not give a damm about human rights, or anything that will interfere with them making a profit on the deal. Your efforts in holding Congressional Hearings, etc. are too little and too late. Even if a few apartments are saved as low-income housing, this is a temporary victory at best. This will be no help at all to the thousands of people who will lose thier homes.

The only advice I can give honestly to the Lee Gardens residents is to admit that the real-estate speculators have already won the battle and the tenants have no rights at all. I feel that Congressman Gonzales should use his time in Congress to put through legislation that would give HUD tough new enforcement powers to take action to prevent future conversions. Also, I feel Congressman Gonzales should hold an inquiry as to why the IRS is not willing to go after the real-estate speculators and put them in jail for violating the tax laws. It is too late to take action in the Buckingham/Clarendon conversions, but there is still time to have the IRS act in the Lee Gardens case.

I feel the Lee Gardens residents should use the time they have left to find a new place to live. If they wait to long they will find that the landlord will call in a work crew and throw everything out into the street. The process of going to court and paying legal fees is a waste of time and money, since there is really no one who can take action to stop the conversion.

Basically, most low and moderate income people are simply priced out of the market for conventional housing. The housing market in DC is geared mainly to the rich folks, and even a small, plain house costs an outrageously high price. There is even one congressman living out of his office because he just cannot afford to buy a house or pay apartment rents. Since he makes about $80,000 per year, things are really bad for a person who makes a lot less money.

Most apartments available in the Washington DC area fall into two general classes. The low-cost apartments are barely fit for human use, and many people would not consider using these places as dog kennels. Most of these low-cost units are located in high-crime areas, or the apartment units do not get maintenence service unless the city takes the landlord to court and forces him to make repairs. Many people have to go on TV and let the camera crew film the housing defects before the city or the landlord will make repairs.

The decent apartments, in low-crime areas charge a very high monthly rent, because the owners are trying to make a profit. There are very few people who can afford to pay high rents in these locations. There is no longer any decent housing at a affordable price, anywhere in the Washington DC area.

Mobile homes are about the only form of housing most people can afford. A well-built mobile home offers good value for the housing dollar. However, most manufacturers do not honor thier warranty, and when a problem develops, the homeowner must pay the repair cost or face a long battle over the warranty condition. For example, I have been fighting with Libertyh Homes and Virginia Mobile Homes for about 6 years over a warranty claim. I am just about out of ideas to get the manufacturer or dealer to honor thier warranty and fix the defects in my mobile home that originated in the factory.

If a toaster or other small appliance stops working during the warranty period, you can mail it back to the manufacturer or take it back to the store and demand repairs or a replacement item. However, with a mobile home, the owner must go to a great expense to get the mobile home ready for travel and get special permits to tow the home along the highway. Then, while the mobile home is in the factory for repairs, the owner must live in a motel for a few days. Then, the owner must pay a lot of money to have the mobile home towed back and put up on the site. Cecause of the difficulty and expense of moving a mobile home, most warranty repairs must be made on site. The dealer has a service truck that comes out to make repairs. Then the dealer sends the repair bill to the manufacturer and the manufacturer reimburses the dealer for the cost of warranty repairs. Since Liberty Homes Inc will not honor thier warranty terms, I am seriously considering the option of moving my mobile home back to the factory for warranty repairs.

Also, because of the zoning laws, the mobile homes must be put in mobile-home parks. Since most parks are already filled to capacity, the dealer usually arranges for a parking space when the mobile home is sold. You have to pay a large deposit to the mobile-home park and also pay a high monthly rent for the parking space. Also, you have to pay for the utility costs and the cost of hooking up the electric lines, water service, and other set up charges before you can move in.

There are a few vacant mobile homes already set up in the parks, so you can buy a home without most of the set-up costs. However, you are buying a used mobile home, and the resale value is practically zero. However, now that the interest rates have gone down sharply, the mobile homes are a good bargain.

However, even if a person can afford the costs involved, there is still the problem of living a long distance from work and the psychological problems of changing from an apartment renter to a home owner. This decision should not be foced onto a person just because they are losing thier apartment to conversions.

I can understand and sympathize with the problems of the Lee Gardens residents, since I have gone through the experience myself, but the only advice I can give is to admit that the bastards have won and try to make plans for moving before the deadline expires.

Sincerely,

Robert K. Phelps

PS-You have my permission to quote from this letter during the Congressional Hearings and to incorporate the text into the Hearing Record. If I had been given more time before the hearing, I could have come to Capitol Hill in person to deliver these remarks. Please consider this as valid testimony I would have given had I been present in the hearing room and testifying under Oath. I feel my remarks in this letter will serve as a guide to formulate policy decisions that are needed NOW so that the displacement of low-income people can be stopped. RKP

THE WASHINGTON POST, TUESDAY, DECEMBER 2, 1986

Displacing Tenants Held Possible Rights Violation

Judge Sets Hearing on Va. Apartment Plan

By Nancy Lewis
Washington Post Staff Writer

A federal judge said yesterday that tenants of Alexandria's Dominion Gardens apartments, who will be displaced in a scheduled renovation of the 416-unit complex, seem to have a strong case that the developer's plan would violate their civil rights.

U.S. District Judge Harold H. Greene also said that the Department of Housing and Urban Development may have violated the law in the way it handles loan insurance applications for such renovation projects.

But Greene denied tenants' request yesterday for an emergency order blocking the developer, the Artery Organization, from sending eviction notices giving tenants 120 days to move. Greene said such an order, which could remain in effect no more than 20 days, was not needed because nothing would happen during that period.

"There is plenty of time to stop this entire enterprise in the next 60 days," Greene said.

Ann C. Suhler, attorney for the tenants, called Greene's comments the only "ray of hope" her clients have seen in their battle against eviction. "We have tried everything else," said Suhler. " . . . We are very encouraged by what the judge said."

David Fuke, attorney for Artery, argued that the request should have been filed in federal court in Alexandria rather than D.C., and that state and local regulations should be considered. Greene rebuked Fuke sharply, saying those were ago-old arguments often raised to thwart federal civil rights efforts.

HUD attorney Jonathan Strong said a disproportionate number of Dominion Gardens' minority tenants would have to be affected for there to be illegal discrimination, an interpretation that Greene said was "contrary to the thrust of all civil rights legislation."

Greene said that, based on the limited arguments at yesterday's hearing, it appeared displacement of the complex's 1,600 low-income tenants—90 percent of whom are black, Hispanic or Asian—would violate the Fair Housing Act because of the disproportionate effect on minorities.

Greene scheduled another hearing for Jan. 5.

Although HUD's regulations say renovation projects for which it provides insurance should minimize displacement of tenants, HUD leaves that determination to the private lender, a delegation of authority that Greene called "ludicrous."

The Artery group, a major developer in Maryland and Northern Virginia, purchased Dominion Gardens, off West Glebe Road near Shirley Highway, in September and plans a major renovation project that will raise rents at least 66 percent, according to court papers.

Seven tenants, who pay an average monthly rent of $385 for a one-bedroom apartment to $450 for a two-bedroom apartment, said in affidavits that they would not be able to live in the complex after the renovation because they cannot afford to pay new, higher rents, expected to be $715 and $845, respectively.

Suhler said that some of the tenants were displaced previously by similar renovation projects at the Auburn Village and Shirley-Duke apartment complexes. She described Dominion Gardens as the "last large block of blacks and minorities" in Alexandria and said that if her clients are forced from their homes they will have to leave the city because of an insufficiency of low-income housing.

Congressman makes appeal to help tenants

By MARGARET ROTH
and NORMAN GOMLAK
Journal staff writers

A Texas congressman has called upon Gov. Gerald L. Baliles to help prevent the displacement of thousands of low income residents in Alexandria.

U.S. Rep. Henry B. Gonzalez, a 13-term Democrat from San Antonio and the chairman of the House Subcommittee on Housing and Community Development, asked the governor in a letter to take steps to help save "Alexandria's last bastion of privately owned low-income rental units."

Three developers plan to renovate 1,067 apartments in the city's Arlandria section, a move that is expected to displace a majority of the poor families that live there.

Similar difficulties are in store for thousands of tenants at Lee Gardens, an Arlington apartment complex that was sold last month to a developer with upscale renovation plans, according to Arlington County officials.

"Alexandria is a microcosm of what is happening in our nation's cities as they face the impact of demographic changes, reduced federal housing subsidies, and gentrification," Gonzalez said in the letter to Baliles.

"The facts are that thousands of low-income and minority tenants, through no fault of their own and against their will, are being forced into homelessness. Where will these families go?"

Gonzalez said the city's "hands are tied," and added that state legislatures must "step in aggressively, and soon, to do something."

The congressman, who last visited Alexandria in 1985 in an unsuccessful effort to prevent a similar displacement at the 242-unit Abingdon Apartments, said, "I would urge that your office find a way to assist Alexandria in its efforts to provide subsidies or any other assistance to Arlandria's tenants to permit them to stay in their homes."

Subcommittee staff members have attended several meetings of tenants, their lawyers and city officials, said Gerald B. McMurray, an Alexandria resident and staff director of the House Housing Subcommittee.

McMurray said the subcommittee staff has also been keeping tabs on the planned redevelopment of Lee Gardens in Arlington, a 906-unit garden apartment complex that is home

Please see TENANTS, A4

Texas congressman issues housing plea

TENANTS from A1

to thousands of mostly low-income and Hispanic people.

County officials and tenant advocates variously estimate that between 3,000 and 6,000 people live at Lee Gardens.

Over the next two years, the Artery Organization of Bethesda, Md., plans to renovate Lee Gardens, which the company bought in November. The upgrading is expected to put rents out of the reach of low-income residents.

Subcommittee counsel Diane Ewing and staff member Isabel Garcia attended two meetings last week between tenants, their lawyers and county officials, McMurray said.

In both the Alexandria and Arlington meetings, the subcommittee staff expressed its "encouragement and the willingness to sit on some people if necessary" to help tenants find affordable housing, McMurray said.

The situations in Arlandria and Lee Gardens have combined to create "the worst housing crisis in the state of Virginia from what we know," he said.

Susan O'Brien, a Baliles spokesperson, said Friday that the governor was touring southwest Virginia and had no immediate comment on Gonzalez' letter nor his invitation to have Baliles appear before the subcommittee.

Gonzalez's letter comes amid concerns that many of Arlandria's poor families will be left homeless this winter by the developers' plans to upgrade the dilapidated apartments and raise rents substantially.

With no success, City Council members have asked the developers to set aside affordable apartments at the complexes after rehabilitation, but have also maintained that the

> **"The facts are that thousands of low-income and minority tenants, through no fault of their own and against their will, are being forced into homelessness. Where will these families go?**
> **Rep. Henry B. Gonzalez, D-Texas**

subsidize rents at all of the apartments.

In recent months, the newly formed Northern Virginia Housing Coalition — a coalition of local officials — has lobbied state officials, asking for help in alleviating the displacement.

The coalition made some headway last month when the Virginia Housing Development Authority created a $45 million trust fund to finance housing projects for low-income families.

City officials and Arlandria's tenants are also taking other steps to prevent the displacement.

On one front, Mayor James P. Moran Jr. last week wrote the Washington Metropolitan Council of Governments relaying the City Council's "serious concern" about two Arlandria developers' application for coinsurance from the U.S. Department